

Havel tries to broker new coalition

By Vincent Boland in Prague

President Vaclav Havel yesterday met leaders of the four main Czech political parties in an attempt to break the stalemate created by an inconclusive general election.

and the currency to fluctuate sharply as investors took flight at the prospect of weeks of instability in a country vaulted until the weekend for the predictability of its politics.

government. But Mr Milos Zeman, its leader, was still withholding his support yesterday. After meeting the president he said a new government led by Mr Klaus "would not be in the best interests of the country".

US dollar and the D-Mark in early trading but recovered later. Banking shares were hit particularly, with Komerční banka, the leading commercial bank, falling more than 10 per cent as investors feared that plans to cut the state's large stake were now on indefinite hold.

Intensive negotiations are expected to begin this week on forming a new government, with Mr Havel playing a crucial mediating role. "It is within our capabilities to reach a consensus but it requires further negotiations," he said.

The president added that as soon as the government tendered its resignation he "will ask a person to form a government and name him prime minister". He quashed speculation that he might create an interim technocratic government before calling a new election.



A Russian interior ministry soldier mounts guard over Chechens held in a detention centre near the capital, Grozny

Chechnya shrugs off Yeltsin 'victory'

Russia's writ does not run far beyond the capital, writes Chrystia Freeland

Inside the heavily fortified Severnyy airport, headquarters of the Russian army in Chechnya, barbed wire and camouflage netting vie for space with cheerful election posters declaring that "Boris Yeltsin is the President of All Russians" and bright photographs of the smiling, bouffant-haired leader himself.

won. The Russian-installed local administration has been assigned the quixotic task of persuading a people battered by Moscow's armies for 13 months to exercise their rights as Russian citizens and participate in the June 16 vote for a new Russian president.

Gekhi, whose openly-armed people proudly insist that Moscow, and the pro-Russian local government it has established in Grozny, have no authority over their village. Mr Said Aldamirov, the pro-independence head of the local administration, says that even the pro-Russian police force and tax inspectors are not welcome in Gekhi.

commission, insists that at least 65 per cent of Chechnya's 478,000 registered voters will go to the polls on June 16. "I do not think that the fighting will impinge on the elections," insists Mr Arszakhanov, whose offices occupy the razged city's former chess club.

Yet, in a sign of how deeply Moscow has alienated everyone in Chechnya, even Mr Arszakhanov, one of the small band of pro-Russian officials who are reviled as traitors by many of their own people, is fiercely critical of the Kremlin's tactics in his republic.

Polls boost president's re-election hopes

By Chrystia Freeland in Moscow

President Boris Yeltsin's bid for re-election received a psychological boost yesterday when an opinion poll with a reputation for independence put him on par with his Communist rival.

Despite the notorious unreliability of opinion polls in Russia and their bias towards the incumbent, yesterday's result is significant because it means that all of the country's main pollsters now reckon Mr Yeltsin will be re-elected.

At a meeting in the southern city of Kislovodsk, Mr Yeltsin signed a mutual co-operation accord with Russia's three neighbours in the area: Georgia, Armenia and Azerbaijan.

settling the war in Chechnya which has provided powerful political ammunition for his political opponents. Talks between Moscow and separatist fighters in Chechnya had "opened the way to a full settlement of the conflict".

Germany's own fiscal position has deteriorated sharply in the past 12 months, leading to higher unemployment and a public deficit of 8.5 per cent in 1995. Germany's stock of debt is 58.1 per cent.

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EU finance ministers' decision suggests flexibility over the Maastricht criteria

Denmark yesterday joined an exclusive club of European Union countries judged to meet the Maastricht treaty's targets for budget deficits, but Germany faced the embarrassment of being put on a blacklist.

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EUROPEAN NEWS DIGEST

Nastase behind in mayoral race

Opposition mayoral candidates appeared to be in the lead in several Romanian cities, including Bucharest, last night as partial, unofficial results from Sunday's first round of local elections began to trickle in.

Croatia given human rights list

The Council of Europe will set Croatia five conditions on democracy, human rights and co-operation with the Yugoslav peace process for admission to the organisation, the organisation said yesterday.

French video promotion dispute

Two video production companies said yesterday they had lodged formal complaints with the French and European competition organisations concerning allegations of preferential advertising rates offered to subsidiaries of the country's leading television stations.

Belgian power utility targeted

The European Commission has written to the electricity utility, Electrabel, Belgium's largest company by market capitalisation, telling it to modify recently renegotiated long-term contracts with the country's municipalities.

EU works council for Toyota

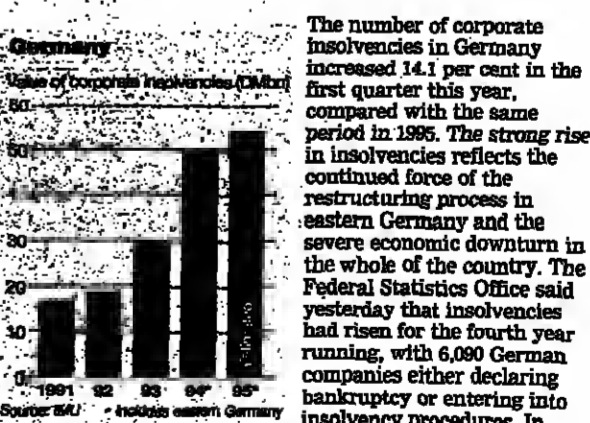
Toyota, the Japanese car company, has agreed to create a European consultative works council for its 4,500 employees in Germany, the UK and Belgium.

Shooting on Cyprus 'green line'

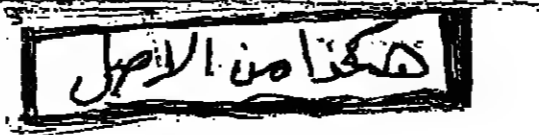
Turkish troops shot dead an unarmed Greek Cypriot soldier yesterday in a UN-controlled buffer zone dividing Nicosia, the capital of Cyprus, Cypriot military officials said.

ECONOMIC WATCH

German company failures rise



The number of corporate insolvencies in Germany increased 14.1 per cent in the first quarter this year, compared with the same period in 1995. The strong rise in insolvencies reflects the continued force of the restructuring process in eastern Germany and the severe economic downturn in the whole of the country.



Spain targets public works for big cuts

By David White in Madrid

New public works contracts will bear the brunt of spending cuts totalling Ptas200bn (\$1.56bn) by Spain's new centre-right government this year.

The government, seeking to get back on track to meet the Maastricht criteria for the European single currency, yesterday tried to douse criticism about delays in detailing its plans and said the Ptas200bn figure, first announced more than three weeks ago, should be enough to bring public-sector accounts back on course.

Mr José Folgado, secretary of state for the budget, said he was "convinced" additional cuts in 1996 expenditure would not be needed "at least for the moment".

His statement contradicted earlier comments by Mr José Barea, head of the new budget office set up under the prime minister, Mr José María Aznar, suggesting a further cut of at least Ptas400bn would be necessary to make up a gap in the social security accounts.

Mr Folgado said declining interest rates would ease the government's financial costs, while a gradual recovery in economic growth during the year should boost tax revenues. He made clear, however, "We are not talking about a boom."

The government has forecast economic growth for the year of 2.3 per cent after a 2 per cent rate in the first quarter compared with the same period in 1995. The forecast is a full percentage point below initial forecasts made by the previous Socialist government, defeated in elections three months ago.

Mr Folgado said growth would be encouraged by a package of stimulation measures due to be announced shortly, targeted particularly at smaller companies.

He voiced the hope that the spending curbs would generate confidence in international financial markets, although he

added: "I cannot pre-judge how the markets are going to behave".

Public works and transport account for Ptas78.2bn of the cuts, or almost 40 per cent. But Mr Folgado said projects which received EU co-financing, or which were already under way, would be preserved. At the same time, the government was studying "new formulas" for bringing private investment into infrastructure projects.

Smaller cuts are planned in

The government was studying new formulas for private investment in infrastructure

other government departments including agriculture and education, while defence spending is kept almost intact.

Meanwhile, the government has decided to block Ptas56bn of funds resulting from rebates of transfers to the EU.

The cuts are in addition to Ptas50bn lopped off departmental spending by the last government after it was forced to roll over its 1995 budget into this year.

Spain's target is to reduce its budget deficit from 5.8 per cent of gross domestic product last year to 4.4 per cent this year and 3 per cent in 1997.

Basque separatists hissed and shouted "out with the king" as the Spanish royal couple passed through the streets of Bilbao yesterday, Reuter reports from Bilbao. Four people were hurt when police fired rubber bullets at the protesters and beat them back. Police had cleared away most of the anti-monarchy demonstrators before King Juan Carlos and Queen Sofia arrived, but those remaining were able to make their protest.

Albania's flawed poll ends in landslide

By Marianne Sullivan in Tirana

Albania's ruling Democratic party yesterday claimed it had won another six parliamentary seats in the second round of the country's general election, which has been boycotted by most opposition parties and criticised by western observers for ballot-rigging and violence against opposition parties.

Most opposition parties, including the Socialist party - the successor to the former Communist party - pulled out of the first round of elections on May 26 and did not take part in the second round, leaving the Democratic party, which claimed a sweeping 67.8 per cent victory in the first round, to face a few minor rightwing parties in run-off votes.

Some 70 Socialist party members entered their fourth day of a hunger strike yesterday, vowing not to participate in the future parliament if new elections were not called. Opposition leaders are also calling for peaceful rallies throughout Albania today to protest against the alleged ballot-rigging and the police violence.

Mr Prec Zogaj, one of the leading members of the opposition party, Democratic Alliance, said police had refused the opposition's request to hold today's rally in Tirana's Skenderbeg Square.

The six seats won by the Democratic party in Sunday's second round of elections bring their total number to 101 of the 115 directly elected. The Democrats will also win some of the 25 seats allocated by the proportional system. The party is thus expected to control substantially more than the two-thirds majority of seats needed to pass constitutional laws.

Despite widespread criticism of the May 26 elections by western observers, and calls from the European Union and the United States for partial reruns of the poll, Albanian President Sali Berisha and Democratic party chairman, Mr Tritan Shehu, insist that the elections were fair.

Finance ministry embarrassed by scheme to help football clubs meet arrears

Portugal scores own goal on tax

By Peter Wise in Lisbon

Portugal's finance ministry was yesterday forced to issue a statement that Mr António Sousa Franco, the finance minister, is to stay at his post after newspaper reports that he had offered to resign in protest over a scheme to relieve football clubs of their tax arrears.

Portugal's Socialist government appears to have scored an own goal with the scheme - drawn up without Mr Sousa Franco's approval - that will cost the state Esl5bn (\$66m) in lost revenue.

Mr António Guterres, the prime minister, said yesterday his minority government had decided to seek parliamentary approval of the football tax scheme, backing down from pushing it

through as a decree in what appeared to be a concession in exchange for Mr Sousa Franco's support.

The manoeuvring within the six-month-old government comes at an inopportune time, only days ahead of a global offering of 22 per cent of Portugal Telecom.

Financial markets were virtually at a standstill early yesterday, awaiting clarification from Mr Sousa Franco, a respected economist.

The decision to relieve popular football clubs such as Benfica and Sporting Lisbon of their tax debts has touched a nerve in a country where national tax and social security arrears total an estimated Esl.100bn (\$7bn) - almost double the budget deficit - and Mr Sousa Franco has been directing a clampdown on widespread tax evasion.

"Businesses and individuals who struggle to pay their taxes or suffer penalties for getting into arrears feel they are getting a raw deal," said one tax consultant.

"Politicians are seen as afraid of the power of soccer clubs who spend fortunes on new players but simply ignore the tax man."

Last week the government signed a pact with the football federation under which all income from the state-run football pools system will be transferred to the soccer clubs to help them pay their tax arrears.

They had previously received only half the remainder went to charity and welfare bodies. The government will maintain the same level of payments to the charities - in effect, losing income equivalent to

the clubs' tax arrears of Esl5bn.

The Socialist initiative is the fourth government attempt in less than a decade to persuade football clubs to pay their taxes.

An unsuccessful attempt two years ago involved a threat to seize and auction assets belonging to the league champions, FC Porto.

Mr Sousa Franco, who appeared to have been surprised by the scheme, has reacted by ordering a rigorous audit of the clubs' debts. The issue highlights a split in the government between Socialist party members and independents such as Mr Sousa Franco.

Mr Daniel Bessa, another independent, resigned as economy minister in April in a row over Sunday shopping hours.

Islamist party's no-confidence motion increases chance of early election

Turkish MPs set up showdown vote

By John Barham in Istanbul

Turkey's parliament yesterday voted overwhelmingly to hold a no-confidence vote later this week that could bring down the three-month-old minority conservative coalition government of Mr Mesut Yilmaz.

Two thirds of the 550-member parliament voted in favour of holding the debate, in spite of a surprisingly strong showing by the Islamist opposition Refah party in local elections on Sunday. Parliament is expected to begin debating a no-confidence motion on Thursday, although the vote itself is likely to be held on Saturday.

Mr Necmettin Erbakan, Refah's

leader, said yesterday "this shows again that the public wants Refah in power. If Yilmaz insists on staying, he will be removed forcibly." Refah took 33.5 per

cent of the vote in last December's inconclusive general elections, making it the largest party in parliament. Mr Yilmaz's fractious coalition

with Mrs Tansu Ciller's rival conservative True Path party, sealed in March, began unravelling in April after Motherland MPs supported Refah demands for parliamentary investigations into corruption allegations against her.

They made no secret of their intention to prevent her taking office as prime minister in January as required under the two parties' power-sharing formula. She and Mr Yilmaz are fighting for control over the centre-right.

True Path MPs now appear to be mutinying against her leadership, following the poor result in Sunday's election. True Path took just 12 per cent of the vote. Mr Cavit Çağlar, a leading party dissident, told the newspaper Hürriyet that "Ciller is a marked woman. She cannot be the leader of this party [True Path] from now on".

Mr Yasar Dedelik, a True Path cabinet minister, is also agitating against her by reportedly calling for an meeting of the party's executive board to oust her as leader.

Polish board of sell-off fund sacked

By Christopher Bobinski in Warsaw

The Polish government has moved to head off the threat of growing disputes involving foreign participation in the country's Mass Privatisation Programme and dismissed the local supervisory board of one of the national investment funds set up under the scheme.

The move was immediately attacked by Mr Waldemar Pawlak, the head of the Polish Peasant party, the junior partner in the ruling coalition, who has often criticised the programme for giving foreigners too much influence.

Under the programme, equity in around 600 state-owned companies has been handed to 15 investment funds, each run by a management company combining local interests with foreign partners, with a 10-year con-

tract. Around 13m Poles have taken up the offer of ownership certificates in the funds at a fee of 20 zlotys (\$7.50).

The government has now dismissed the supervisory board of Fund 13; the board had threatened to terminate the managerial contract of Regent Pacific, a Hong Kong-based fund manager, and Yamachi of Japan.

The board, headed by Mr Marek Bryx, recently

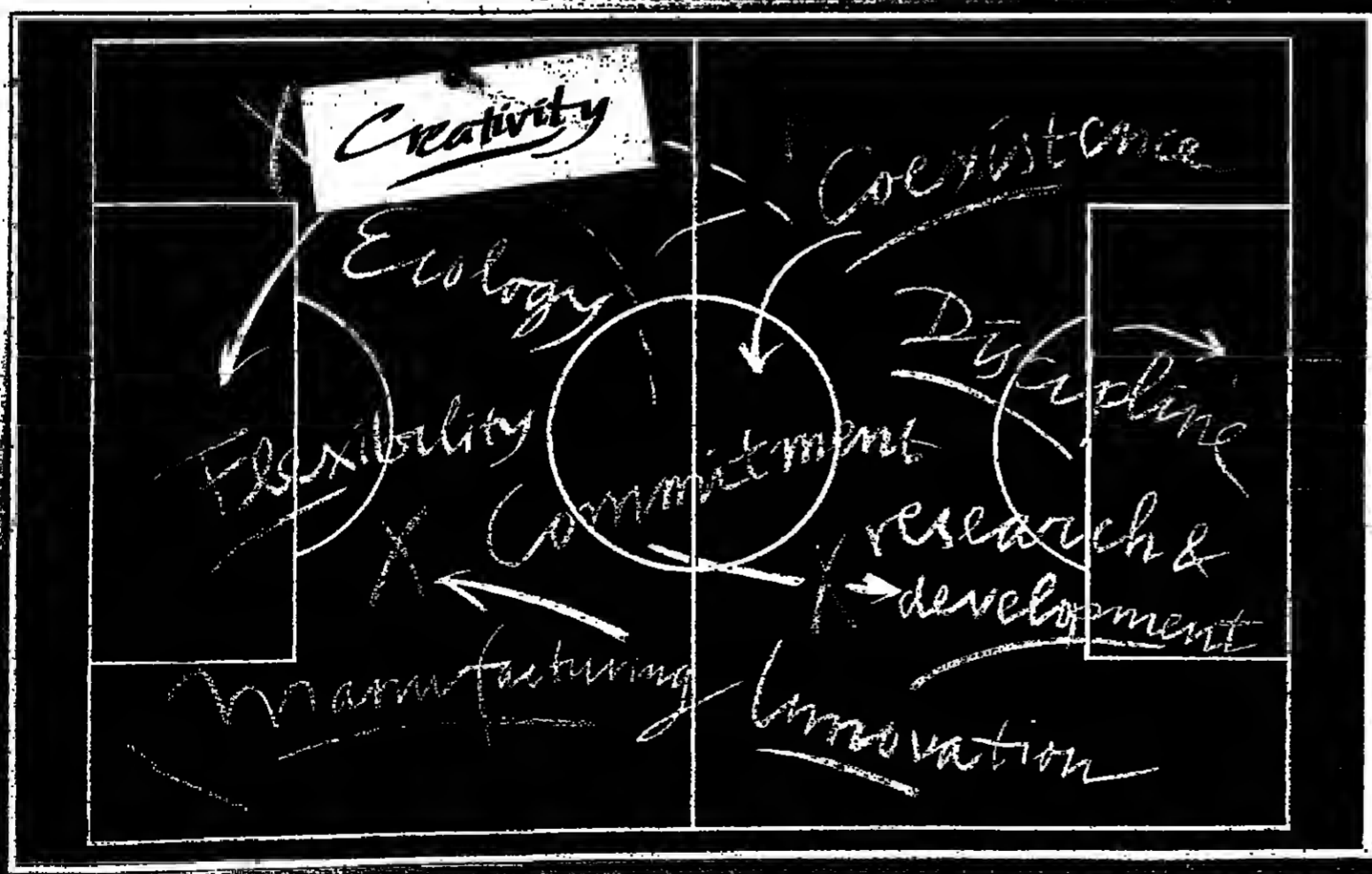
appointed to head the supervisory board of the listed Warta insurance company, had repeatedly accused the fund managers of failing to live up to their promises. Regent Pacific and Yamachi said their right to manage was being infringed by the board.

Mr Wieslaw Kaczmarek, privatisation minister, was already facing a dispute over Fund 11. In April, Wasserstein Perella and New England

investment of the US were dismissed as managers of Fund 11 by their Polish partners - KMK Finance and Investment.

The dismissal of Fund 13's board pre-empted another dismissal of foreign managers. Talks are under way over compensation for Wasserstein Perella and New England investment, and the quashing of the negligence charge the supervisory board used to justify the dismissal.

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NEWS: INTERNATIONAL

UNITED NATIONS CONFERENCE ON URBAN DEVELOPMENT

Battle lines drawn up on key issues

By John Barham in Istanbul

The ideological battle lines at yesterday's opening sessions of the United Nations conference on urban development fell between western countries and mainly Islamic and Asian countries...



Boutros Ghali: plan of action

Western countries are wary of a declaration that would enable individuals to sue a government for not providing housing...

Mr Boutros Boutros Ghali, UN secretary general, opened the 10,000 delegate conference calling for a global plan of action that embodies our vision of human settlements...

Islamic countries reject the emphasis on women's rights, such as demands by western development agencies they receive full property rights...

Private companies were notable by their absence at the conference, especially the big European and US multinationals...

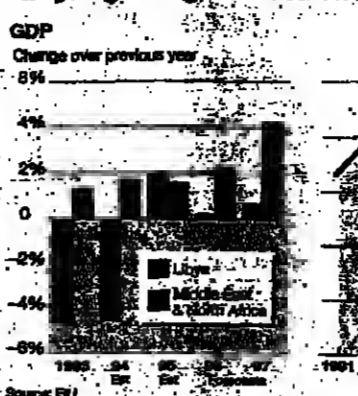
Mr Martin Rakotonalvo, assistant director of international relations at US Biotech, a New Jersey-based environmental engineering company...

Libya trapped in inertia by 'curse of oil'

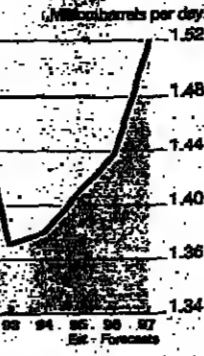
James Whittington finds an economy as much undermined by mismanaged abundance as by sanctions

Along the sandy Tunisian coast road to the Libyan border are hundreds of free market stalls who wave wads of green notes with great enthusiasm...

Libya: getting left behind



Crude oil production



That in Tunisia - little has trickled down to the majority of the 6m Libyan nationals. 'Our worst curse is our oil,' said one Libyan economist privately...

big players are nearly all European such as Italy's Eni-Agip, Spain's Repsol and France's Total. This could change if a sanctions bill, currently being debated in the US Congress...

luxury goods. The European oil companies have complained bitterly about the American plans and the European Commission has threatened legal action...

With an estimated unemployment rate among Libyan nationals of about 20 per cent, the presence of about 1.5m foreign workers often inflames

Bahrain accuses Iran of plotting armed revolution

Bahrain yesterday accused Iran of plotting with a 'terrorist' group to overthrow the Gulf state's government by force...

Several Arab states have accused Iran of trying to export its 1979 Islamic revolution and supporting and financing violent Moslem militant groups...

a western expert on Iran's rearmament plans. 'The change of tone appeared to move the GCC stance closer to that of the US, the Gulf Arabs' main ally...

It was the first direct accusation of Iranian involvement in the mainly Moslem Shia-led unrest which erupted against the island state's government in December 1994...

Mr Mohammad Ibrahim al-Mutawa, Bahrain's information minister, said Bahrain was recalling its Tehran ambassador and would downgrade its representation in Iran...

The remarks, at the end of a foreign ministers' meeting in Riyadh, the capital of Saudi Arabia, reflected a change in the GCC's often cautious tone towards Iran...

'Steady flow' of Iraq smugglers

US-led multinational patrols had diverted one sanctions-busting ship trying to smuggle diesel fuel or dates from Iraq every three to four days on average so far this year...

Code of conduct for toy makers

Representatives of the world's toy companies are to adopt a code of conduct designed to ensure products are manufactured in safe and healthy conditions...

that are 'well ventilated and well lit', and where 'no unreasonable mental or physical disciplinary practices are employed'.

Kaunda's top aides held

Zambian police yesterday arrested four key aides of former president Kenneth Kaunda, a day after five men were detained in connection with a series of bomb blasts...

De Klerk outlines agenda

Mr F.W. de Klerk, South African deputy president, set the agenda for his new role as opposition leader yesterday, promising President Nelson Mandela a tough fight on economic policy and post-apartheid transformation...

Moroccan siege stand-off

Moroccan riot police yesterday reinforced their siege of a trade union building in central Rabat where a sit-in by hundreds of jobless graduates demanding jobs entered its third week...

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

Table with columns for US, Japan, Germany, France, Italy, and UK, showing various economic indicators like M1, M2, M3, and interest rates.

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TECHNOLOGY

Bacterial clue to heart toll

Any bacterial interloper may be the culprit in one of the most common diseases in the industrialised world...

The bacterium, called chlamydia, has only recently been identified as a cause of pneumonia...

Although the evidence is still sketchy, the Utah researchers believe the bug may latch on to the walls of coronary arteries...

A similar model exists in medicine. Physicians long resisted the idea that bacteria cause stomach ulcers...

Marjorie Shaffer

For two decades, scientist Eric Drexler has been promoting a peculiar vision of the future. By 2025, Drexler says, factories far smaller than the head of a pin will manufacture everything from microwave ovens to ballgowns...

The Californian's futuristic notions are based on the science of molecular design called nanotechnology. While not all nanologists support Drexler's most extreme predictions...

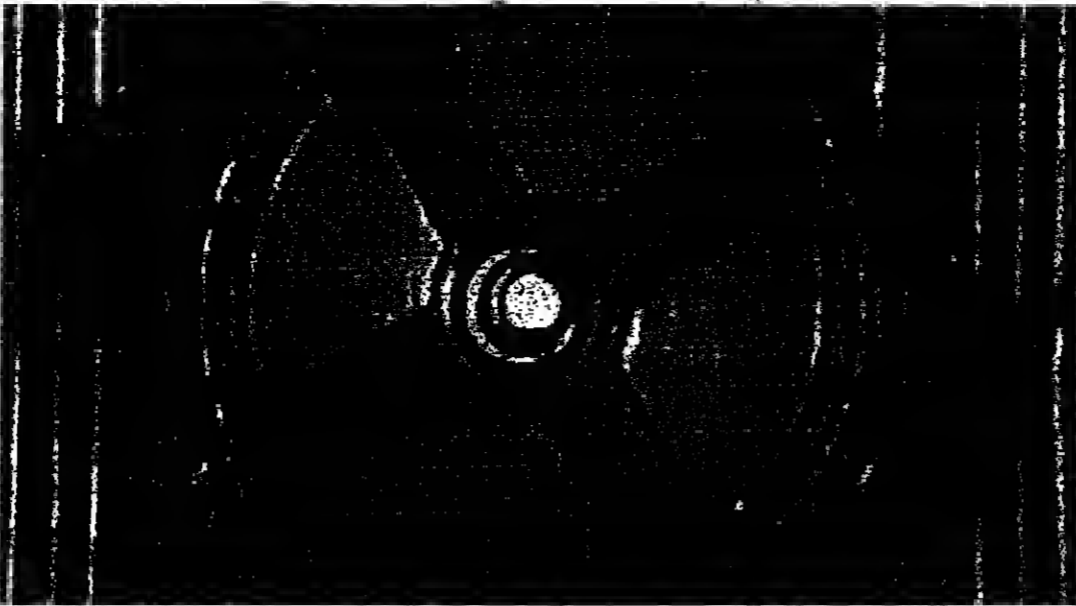
For years, nanologists have operated at the fringes of mainstream science. Yet recent developments in atom manipulation, biotechnology and microtechnology have begun to lend credence to some of the discipline's ideas...

One sign of nanotechnology's new standing is Rice's nanotechnology centre, which will provide a forum for discussion and experimentation in the field. Nanotechnology is also attracting the attention of the corporate world...

Drexler believes the mainstream scientific community is too shortsighted and narrow-minded to place sufficient faith in his research. Most people have a hard time imagining invisible factories churning out desired goods...

Advances in biotechnology may show that the idea of a molecular factory is far from absurd. Biotechnology uses large molecules like proteins to produce substances in the body in a factory-like manner...

Today, though, advances in the understanding of molecular structure enable scientists to design their own bio-molecules. And these man-made molecules are being used not in the human body, but in the



Step in the nano direction: a 24-step micromechanical stepping motor made by depositing successive layers of silicon on the base...

The molecular factory

Victoria Griffith on the wonders of nanotechnology

production of plastic-like polymers for use in manufacturing. "Biotechnology is nanotechnology," says David Braunstein...

Many in the medical field would disagree. In fact, scientists are fighting over the definition of nanotechnology. "I don't think people in the biotechnology or chemistry disciplines are keen on having their fields renamed..."

While many scientists are convinced that nanotechnology will soon become industrially relevant, mainstream science remains sceptical of Drexler's vision of microscopic manufacturing...

germanium surface. In 1990, IBM spelt out the company name with individual zircon atoms on a nickel surface...

The trend toward miniaturisation is also fuelling faith in a nanologist future. The computer industry is at the forefront of miniaturisation, which helps explain the sector's keen interest in nanotechnology...

That thickness would place the computer industry within the realm of nanotechnology. "One hundred nanometres will be like hitting the sound barrier," says Smalley.

While many scientists are convinced that nanotechnology will soon become industrially relevant, mainstream science remains sceptical of Drexler's vision of microscopic manufacturing.

leap of faith to go from moving some atoms around to creating molecular robots," says Julius Rebek, a chemistry professor at the Massachusetts Institute of Technology. "It is just not convincing."

Even Egler of IBM, who spends his days shifting atoms around, is critical of the idea of creating elaborate molecular structures. "The oxygen molecule, for example, binds hard to a metal surface. That molecule is tougher than I am and there is no way I could get it to budge."

Although there is sharp disagreement about how far the burgeoning field of nanotechnology can be taken, a growing number of scientists feel the science is gaining relevance. Drexler and his critics in the nanotechnology field may be aiming for the same thing: to understand and imitate the workings of nature.

Nanologist engineers seek to make complex structures from atoms in the same way nature builds trees, mountains and human beings out of molecular raw material. "Nature is the ultimate nanotechnologist," says Braunstein.

What nanologists are after is nothing more and nothing less than to understand and extend what nature already does.

Help from Deutsche Bank Germany's biggest bank is focusing on start-ups, says Andrew Fisher

Germany's biggest bank has started to worry about where its future customers will come from and has decided to offer a helping hand to struggling technology companies...

In a consultancy role, he also spent much effort on finding its first technology stakes. Since mid-1995, the bank and two new affiliated investment units...

Such companies often find the going tough in Germany. Finding start-up and development funds can be difficult in a country so wary of risk. For investors, there is a lack of stock market exit possibilities to enable them to take profits on shareholdings in small companies.

Why does such a large bank want to engage in small-scale financing which consumes so much time and effort, however promising the returns? Boehm-Bezing says venture capital is so underdeveloped in Germany that big banks must become involved...

Germany also lacks pension funds putting part of their investments into venture capital to enhance long-term returns. In the US, 61 per cent of venture capital funds go into new technologies such as biotechnology, medicine, software and communications...

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THE WORLD SHIPPING INDUSTRY

Bright at first, but changeable later

Seaborne trade is booming, but strong cross currents will be felt at this week's world shipping conference in Athens, writes Charles Batchelor

Prospects for the world shipping industry should be bright. Seaborne trade is forecast to double over the next 15 years in response to growing consumer affluence and increasingly international patterns of manufacture.

Yet as the world shipping community meets in Athens this week for the biennial Post-Trade exhibition, which brings together shipowners, brokers, equipment suppliers and financiers, it will have a host of problems on which to brood.

A complaint in the UK and some other developed countries is that although shipping is a \$100bn industry worldwide, with a crucial economic and defence role, it is frequently taken for granted by governments and the general public.

It takes a tanker grounding on a sensitive shoreline or the sinking of a passenger ferry in European waters to focus attention on the shipping industry and then the interest is generally critical.

At the commercial level the industry is having to cope with over-capacity in several important sectors which is putting downward pressure on returns. At the same time, increased awareness of environmental and safety issues is pushing up costs. The traditional method

used to restrain unbridled competition - through "conference" agreements - is under attack by regulators. Yet attempts to liberalise shipping markets at negotiations under the aegis of the World Trade Organisation have been blocked by the US.

Coping with change has become a way of life for the shipping industry. Containers have revolutionised the general cargo trade while the mechanisation of port activities has cut turnaround times and improved profitability.

At the same time the large merchant fleets of the traditional sea-faring nations have declined to be replaced by much more diverse patterns of ownership. These include the fleets of the large, predominantly far eastern corporations and the single vessel companies owned by the Greek shipping community and others.

Making profits from shipping depends as much on currency movements and on timing expansion to catch growth in one of the industry's many subsectors and retrenchment to beat the downturns, as on the day to day business of running ships.

Buying and selling vessels at the right point in the cycle can often make the difference between a profit or a loss on overall operations. The large shipping companies frequently find it hard to justify their shipping activities using conventional yardsticks to their shareholders. Yet the private or family owner applies different financial ratios and can often do well in difficult markets.

Despite the low profitability of parts of the industry there is no shortage of capital to finance the acquisition of new or second-hand vessels. After a period of retrenchment banks have returned to the market for shipping finance in large numbers. Pressure on the margins on corporate lending generally means that relatively

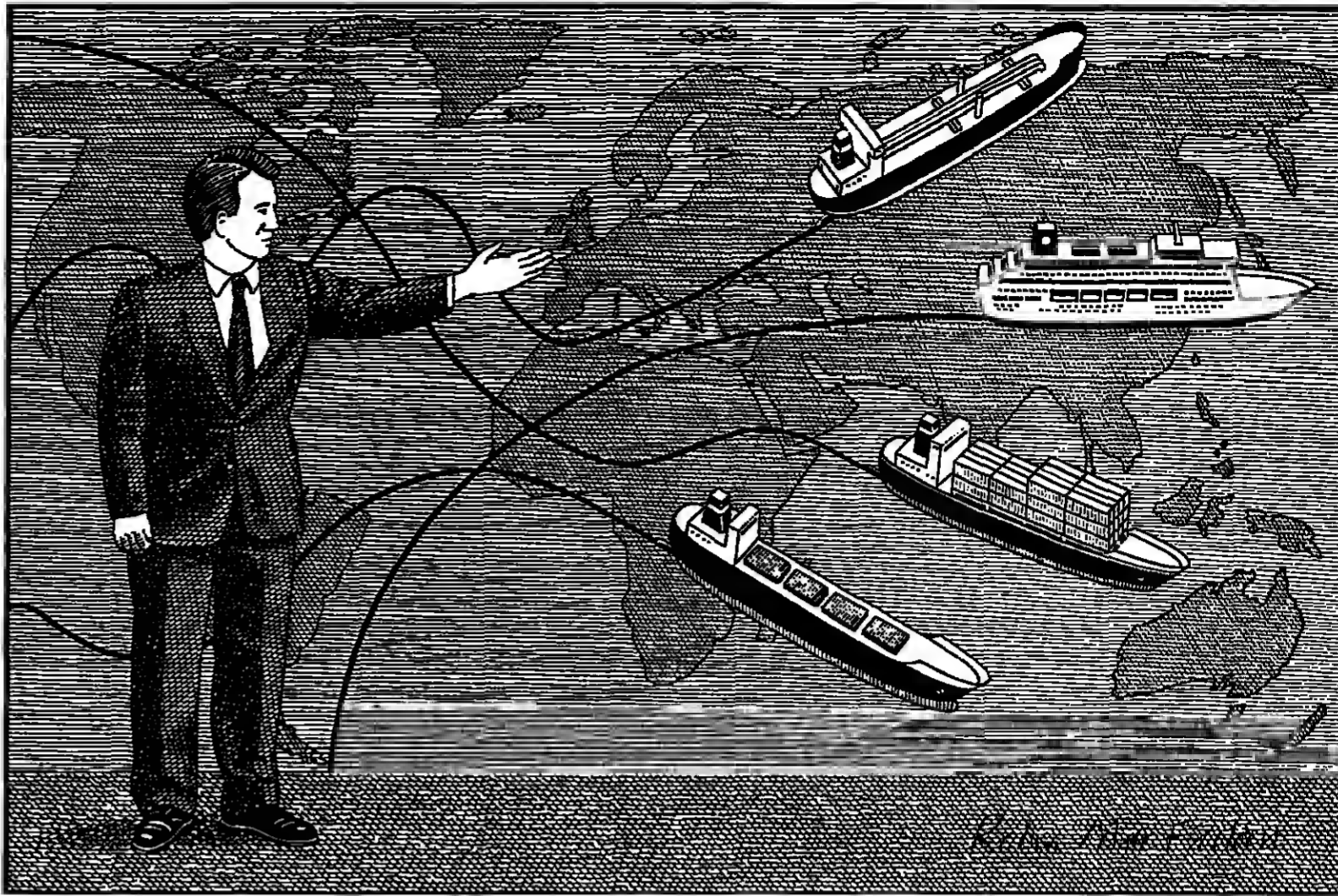
good returns are available from shipping loans. One of the most buoyant sectors for many years has been container shipping with recent annual growth rates of 9-10 per cent. This has been fuelled by the expansion of trading activity in Japan and south east Asia and the application of containers to a wider range of products, including many low-cost commodities.

But this growth in business volumes has been outstripped by the ordering of new and larger container vessels. The new ships are capable of carrying up to 6,000 containers each but are unlikely to find full employment in the near future. Many of the larger container groups have formed alliances in order to plan their timetables more cost-effectively and share expensive terminal facilities. The alliances do not involve price-fixing arrangements and have thereby avoided the difficulties associated with the traditional conference arrangements.

The tanker market has been more subdued reflecting low levels of increase in oil consumption around the world and the growth in the role of North Sea production and other "short haul" areas. Growth rates are likely to remain low until demand for Middle East oil, which must be shipped long distances to consumers, picks up again. On the positive side for profits, the scrapping rate of elderly tankers has exceeded new deliveries for the past two years and a further contraction of the tanker fleet is expected, according to a recent review by NatWest Securities.

Demand for dry bulk carriers, which move cargoes such as coal and ore, has been strong but so has the rate of ordering new vessels and returns in this sector are likely to remain depressed.

In the passenger shipping sector, cruise ship owners have been ordering massive new cruise liners including P&O's



flagship Oriana and Carnival Corporation's Carnival Destiny in anticipation of further expansion. Substantial growth will depend on making cruising more of a mass market holiday in Europe and in developing the markets of Japan and south-east Asia.

The north European ferry market, meanwhile, has been thrown into turmoil by the opening of the Channel tunnel. The initial response of the ferry companies has been to increase capacity in a struggle for market share but rapid retrenchment is expected as the costs of this strategy mount.

The ferries, and other shipping sectors, are also having to adjust to tougher safety regula-

tion. The sinking of the Estonia in the Baltic in September 1994 with the loss of more than 900 lives has led to a tightening of ferry safety standards in north-west European waters and ferries will be required to fit partitions or bulkheads on the car decks or instal additional buoyancy aids. Cruise liners meanwhile have been required to meet far tougher fire-resistance standards while tankers have been made subject to tighter environmental laws following the grounding of the Exxon Valdez off the coast of Alaska in 1989.

For an industry as international as shipping, the best response to such disasters is to agree a set of standards which will apply around the world.

The London-based International Maritime Organisation, a United Nations agency, has produced a raft of valuable regulations over the past three and a half decades. But it relies on reaching consensus and even when new rules are agreed it can take years for governments to enforce them.

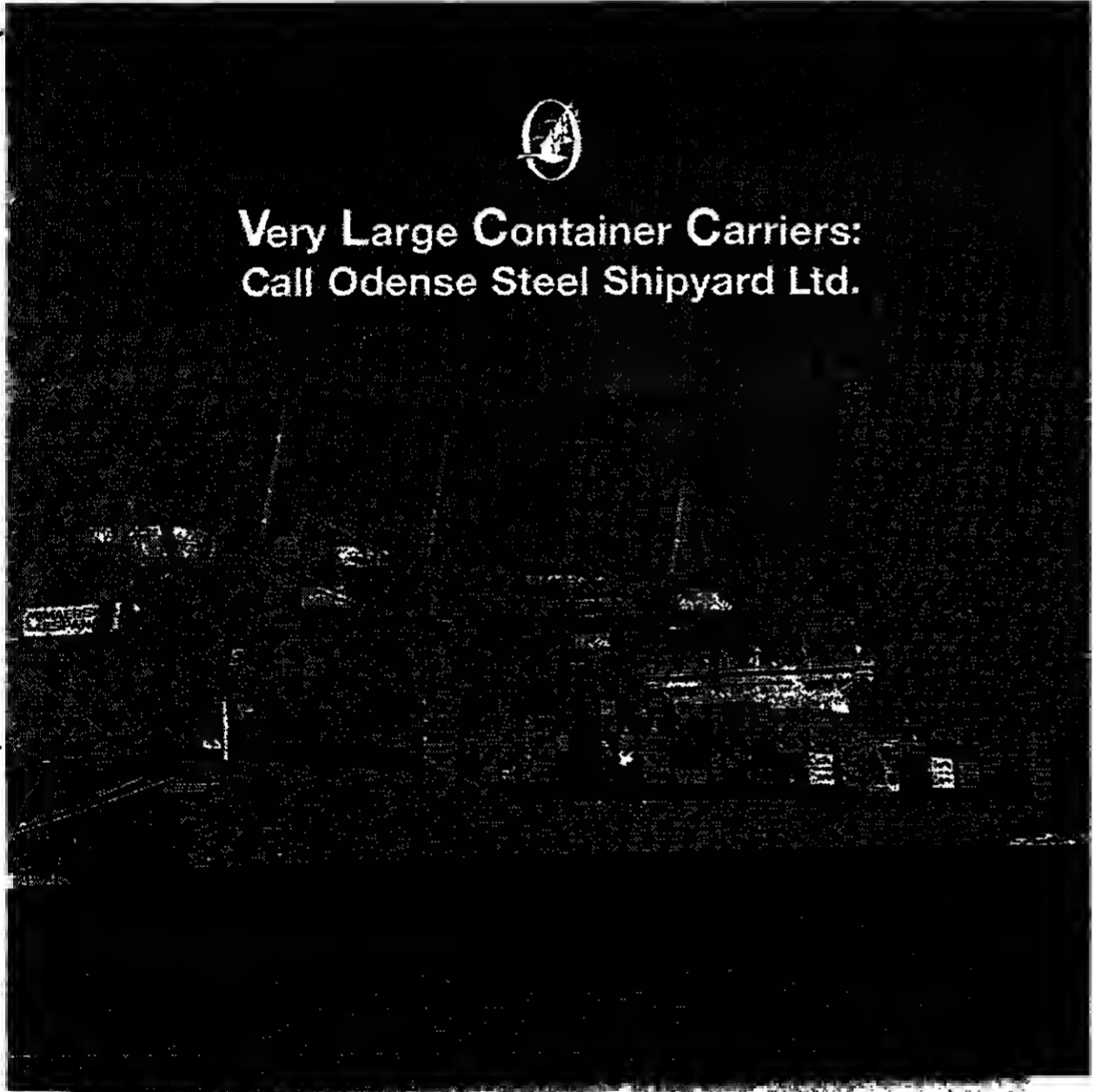
The US government's response to the sinking of the Exxon Valdez by-passed international procedures and imposed a burden on the tanker industry which many operators felt was unduly harsh. The Oil Pollution Act of 1990 has undoubtedly kept some sub-standard vessels out of US waters but by requiring tanker owners effectively to insure against unlimited liabil-

ities has put a heavy cost on the industry generally.

The counterpoint of tighter regulation of matters such as safety is a greater liberalisation of the markets in which shipowners operate. But it has proved remarkably difficult to put together an international agreement to open up the shipping sector. Negotiators have spent the past two years attempting to reach an agreement on liberalising world merchant shipping within the framework of the World Trade Organisation. Shipping had been dropped from the original Uruguay Round of trade talks which were concluded at the end of 1993 to avoid delaying a general trade agreement.

But it has proved just as difficult to do a deal within the WTO. The US has been widely blamed for failing to table new proposals following the withdrawal of the modest offer made during the Uruguay Round. In an election year and faced with pressure from its maritime unions the US appears reluctant to act.

Some observers say that commercial pressures have already opened up the shipping market and that a formal trade agreement would make little difference but others are keen for liberalisation to be given official backing. It would be ironic if an industry which depended on the free flows of world trade was unable to devise its own liberalised framework for doing business.



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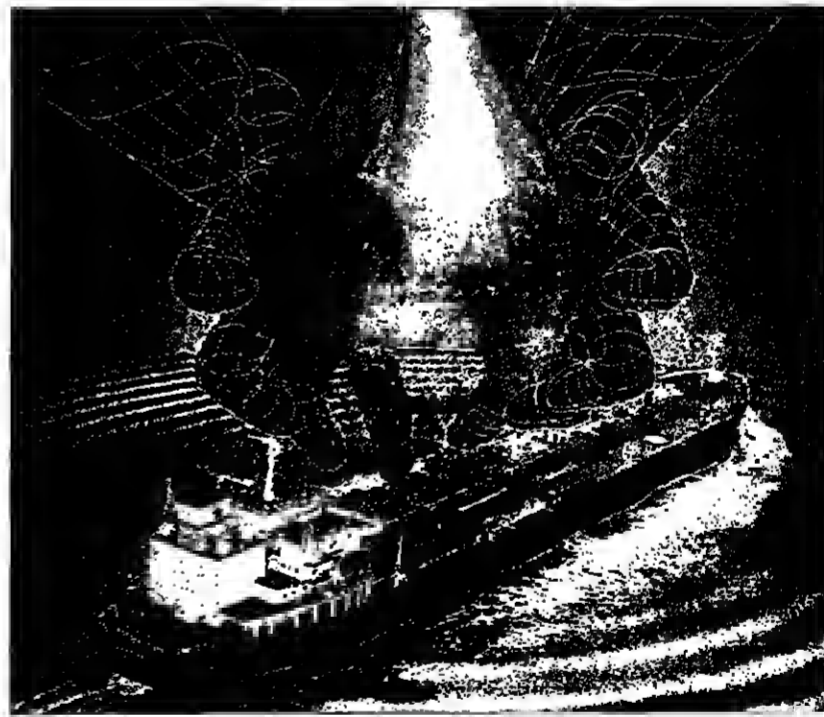
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■ Safety and environment by Charles Batchelor

Danger in numbers

Safety at sea is not helped by the sheer profusion of official agencies and national registers

Governments and the world shipping community have given a high priority to preserving life and protecting the environment in recent years. Bookshelves of international and national regulations have been written but the roll call of groundings and sinkings continues to lengthen.

The Estonia, the Sea Express, the Exxon Valdez and the Derbyshire. Each loss has prompted a frenzy of activity among governments and the organisations responsible for maritime safety. But the diversity of the world's shipping fleet and the financial pressures on ship owners mean that watertight regulation is difficult to achieve.

The International Maritime Organisation, the London-based United Nations agency responsible for co-ordinating global efforts to raise safety standards and prevent pollution, has committees in almost constant session. But its efforts are hampered by the need to achieve consensus and the conflicting priorities of its 163 members.

"Although a great deal has been achieved during the last 36 years [the IMO was established in 1959] shipping safety is still a major concern and the oceans are far from clean," Mr William O'Neil, IMO secretary general, wrote in the International Chamber of Shipping's 75th Anniversary review published last month. Despite the fact that the IMO had adopted more than 40 different treaties covering 98 per cent of world shipping, accidents still occurred, he noted.

"There is no doubt that standards do vary and some owners care more about safety than others. I believe that we need to make safety and the protection of the environment part of the culture of shipping. They must be made priorities, not afterthoughts."

The main problem facing IMO is persuading governments to implement new regulations once they are agreed. Even relatively simple improvements can take time to be adopted. A scheme to provide every ship with a unique identification number which was due to take effect last January has still not been acted upon by many governments and shipowners. Mr O'Neil warned in March.

This scheme, first introduced as an IMO recommendation nine years ago, would allow a ship to be identified no matter how many times it changed owner, flag or name. "The scheme is extremely simple, involves no cost for the industry and yet promises to be extremely effective in improving safety and combatting crime at sea," Mr O'Neil said.



Questions to answer: spraying dispersant on the UK's latest big oil spill

last February seven north European countries agreed to apply the tougher standards by 2002.

Tanker safety has been under almost constant discussion since the grounding of the Exxon Valdez off the coast of Alaska in 1989. Two subsequent groundings in British waters - the Braer off Shetland in January 1993 and the Sea Express in the entrance to Milford Haven harbour last February - reinforced the urgency of improvements.

The Exxon Valdez prompted a radical tightening of US regulations covering tanker shipments under the Oil Pollution Act of 1990. This laid down requirements for the phased introduction of double-hulled tankers and imposed stringent liability standards, and hence extra costs, on shipowners serving US ports.

The Braer sinking led to the commissioning of the Donaldson report by the British government. Lord Donaldson made more than 100 recommendations including a more rigorous system for inspecting ships on arrival in port, improved exchange of information between charterers, insurers and the regulators to identify substandard ships, and the positioning of powerful tugs around the coast to help ships in trouble.

It was the government's failure to agree to the positioning of a tug in the western approaches to the English Channel which led, in the view of some observers, to the loss of a large part of the Sea Express's cargo of oil. Others blame the fact that the vessel had one and not two hulls though an official investigation is continuing.

Intertanko, the organisation of independent tanker owners, says it is not just the shipowners who are at fault when

pollution occurs. It criticised governments for failing to introduce traffic separation systems near busy ports and for failing to install shore-based beacons which could locate vessels.

The safety of bulk carriers has been the subject of controversy following the loss of the Derbyshire in a typhoon in 1980 with the loss of its entire 44-strong crew. The discovery of the vessel, under nearly three miles of water off Japan in 1984, raised the prospect that more would be learnt about its fate. But the view has strengthened in recent years that the design of large bulk carriers failed to keep pace with the increase in size of these vessels. The IMO last month began consideration of placing limits on the use of older hulks for the carriage of very heavy cargoes.

A problem which has bedevilled improvements in shipping safety has been the large number of organisations involved. A ship may be owned, chartered, crewed, registered and surveyed in five different countries, blurring the lines of responsibility. The large fleets once owned by the traditional maritime nations have given way to single vessel companies registered with a flag of convenience and sometimes manned by a polyglot crew with no common language between them.

The growth of the flags of convenience has raised questions about the ability of countries such as Cyprus, Honduras, Malta and Panama effectively to regulate the ships nominally under their control. These four countries, with St Vincent, all had losses at or above the international average in 1994, according to the Institute of London Underwriters.

Competition between the different registries is forcing the laggards to raise their standards but there is still a long way to go. Dissatisfaction with the supervision exercised by the flag states has led to a growth of port state control treaties. Vessels are now subject to controls in many ports and run the risk of being held if their equipment or crew do not meet the required standards.

Increasing pressure is also being brought to bear on the classification societies which carry out technical inspections of ships when they are being built and once they are in operation. The societies have been criticised for failing to impose strict enough standards for fear of losing business to less demanding competitors.

The 11 societies grouped in the International Association of Classification Societies, responsible for more than half the world's fleet and 90 per cent of its cargo-carrying tonnage, responded last July with a seven-point plan to tighten their rules. These included the automatic suspension of a vessel's classification certificate if the owner failed to carry out the regular five-year survey and a bar on a vessel switching societies until all overdue repairs had been carried out.

Leasing is growing and there are moves to the bond and equities markets

private placement or would be unable to satisfy the criteria of the providers of finance.

The last significant round of equity financings occurred in 1993 when companies such as Smedvig Tankships, First Olsen and Bona Shipping came to market or, like London & Overseas Freighters and ICB, carried out share placings or rights issues.

Preparing a private company for a public market place can be a time-consuming and difficult task but it is essential if outside investors are to become involved. "Investors want clean structures which will be acceptable to the major stock exchanges," said one

■ The maritime power of Greece by Nigel Lowry

Hellenes' thousand ships

National traditions explain why Greek owners control half the European Union's merchant fleet

Fifty years after Greece rebuilt its ravaged fleet from 100 American surplus war cargo ships, its shipping industry appears to be on the crest of a wave.

Since 1989, Greece has controlled the largest merchant fleet in the world and has been expanding it every year. In April, it reached an aggregate of 130m deadweight tons, or more than 16 per cent of all cargo-carrying capacity afloat.

It is hard to explain other than by tradition why a country with little other clout in international business should be such a power in this highly difficult and capital intensive industry.

"Our success is due, we believe, to our accumulated know-how and experience and our full adherence to the laws of supply and demand," says John Gouras, president of the Union of Greek Shipowners. According to a leading London shipbroker, "Greeks often have the vast technical experience to purchase ships which others would struggle to operate and they are frankly way ahead in terms of looking after their ships properly."

This may explain why the Greek-owned fleet is so large and on average three years older than the international norm.

Meanwhile, though, the industry is being rejuvenated from within as new shipowners emerge, blending the hands-on wisdom of their fathers with literacy in modern business techniques.

According to shipping bankers, Greece's maritime community which is spread between Piraeus, London and the US and Switzerland, has anything between \$40bn and \$70bn in reserves. Much is said to be in the hands of older shipping families who have been less active than in the past but might be persuaded to jump in with both feet if freight rates reversed their decline and the price of vessels fell.

Admittedly, there are some clouds on the horizon. There are plenty of complaints about the tide of international and unilateral legislation which has swept the industry. Backlogs were raised in Piraeus, for example, by the introduction of a worldwide international safety management code, which will shortly become mandatory for all managers of ships. Despite a subsequent relaxation of Greek reaction, only 1 per cent of companies which have so far satisfied the code's requirements are Greek.

Shipowners have few complaints, however, about their treatment in Greece itself where they have enjoyed offshore status for more than three decades. The main levy on the industry is a flat, reasonable tonnage tax, which is only applied to Greek-flag vessels.

Consequently, the main talking point



Hamburg docks: the Greek registry still represents half the EU-registered fleet

time transport," said Mr Styriou.

On finance, Greek shipping rarely strays from traditional formulas. The Amangel and Tsakos groups, which operate oil tankers and dry cargo vessels, have developed public arms which are traded on stock exchanges in Europe and the US. In 1993, Eleton Corporation, a petroleum products tanker specialist which has been a pioneer in constructing tankers with double hulls, made a successful \$140m bond issue on Wall Street.

But the number of equity or debt offerings involving Greek shipping firms is much lower than their presence in the industry warrants, and financiers generally believe this pattern will change little in the future. Apart from the risky reputation that makes any shipping deal hard to sell to investors, Greek shipowners themselves advance many other reasons for remaining solidly private.

Culturally, most are still reluctant to meet the financial disclosure requirements of outside capital markets, while going public threatens to blunt the flexibility for which they are justly famous.

A Greek shipowner likes to pick his moment to buy or sell a vessel and many have made their initial fortune through asset plays. At the same time, there is a general preference for trading on the vol-

atile spot market rather than locking ships into lengthy time charters which can hinder an owner's ability to take advantage of any sudden boom in freight rates. This may have proved a shrewd stance time and again, but is not usually the kind of behaviour which builds morale in annual reports to shareholders.

Besides, the cost of traditional bank finance for respectable operators has come down in recent years to the point where it probably works not cheaper than equity, and there is no shortage of competition among international banks to provide lending.

Newcomers such as Den Norske Bank, Mees Pierson and ING, all of which are

among this year's arrivals, have enabled the Greek part to surpass London in terms of hosting foreign shipping desks.

Whether they have a permanent presence in Piraeus or not, several leading banks including Royal Bank of Scotland and the Bank of New York say that loans to Greek clients comprise the lion's share of their worldwide shipping portfolios.

Besides banks, other service sectors such as shipyards, English marine law firms and equipment suppliers have gravitated towards Greece during the 1990s and the burgeoning size of the Posidonia exhibition every two years also attests to the country's growing drawing power in the shipping world.

Yet it would be an exaggeration to say that Piraeus has become an international maritime centre in the true sense. For one thing Piraeus, unlike London, New York or even nowadays Cyprus, is almost entirely for Greeks and offers little in the way of services that the roving international shipping entrepreneur cannot find elsewhere. For another, its infrastructure still leaves a lot to be desired, as shown by a trickle of leading shipowners who have recently left the cramped port for new buildings on the outskirts of Athens.

The writer is Athens correspondent for Lloyd's List newspaper

■ Financing options by Charles Batchelor

Steering a new course

Owners find that the banks are not the only source of equity finance for shipping

Bank lending has dominated the financing of shipping finance over the past two years but bankers detect signs that some of the large shipping groups are extending their financing options.

Shipowners are starting to tap the corporate bond market in the US in what some bankers see as the first step towards using the equity markets. Meanwhile leasing, widely used in the airline and railroad wagon sectors, is starting to make inroads into shipping.

"The industrialised sectors of shipping - chemical and car carriers and oil tankers, which offer the promise of more stable earnings - are starting to use the US capital markets," says Mr Michael Parker, vice president at Citibank Shipping. "The shipping companies are starting to think ahead and they can see the value of 10-20 year money."

the risks inherent in shipping, bankers are generally able to charge higher margins.

But the dominance of loan finance also reflects the conservatism of many smaller shipowners. Much lending to such companies is done more on the basis of personal knowledge of the individuals involved and less on a formal credit assessment, says Mr Harrington. But such companies would be unwilling to accept the exposure of their finances to public scrutiny to raise funds on a stock exchange or through a

private placement or would be unable to satisfy the criteria of the providers of finance.

The last significant round of equity financings occurred in 1993 when companies such as Smedvig Tankships, First Olsen and Bona Shipping came to market or, like London & Overseas Freighters and ICB, carried out share placings or rights issues.

Preparing a private company for a public market place can be a time-consuming and difficult task but it is essential if outside investors are to become involved. "Investors want clean structures which will be acceptable to the major stock exchanges," said one

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French PM to spread welfare costs more widely Juppé vows progressive cuts in tax and spending

By David Buchanan in Paris

Mr Alain Juppé, the French prime minister, last night pledged to cut income tax progressively over five years...

encourage consumers to spend more by holding out the prospect of lower taxes, and to give himself time to prepare the politically sensitive reforms.

spending cuts of at least FF700bn to counter unavoidable rises in state debt servicing and other fixed charges.

Supporter of Yeltsin loses city election hit by scandal

By John Thornhill in Moscow

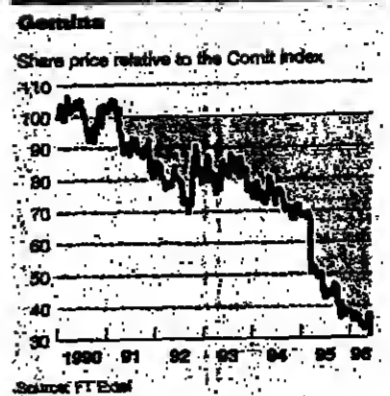
Mr Anatoly Sobchak, mayor of St Petersburg and one of the country's best known liberal politicians, has been voted out of office after a bitterly fought election...

THE LEX COLUMN

Tarnished gem

Gemina came within inches of becoming one of Europe's largest conglomerates, via a proposed merger with Ferruzzi Finanziaria...

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the regulator says he expects this price review to be the last. BT is unlikely to turn such an attractive offer down.

Tesco

base in a hopelessly competitive market, should be closed or sold. That might enable the engines division, which has a strong new product range and good technology, to survive.

Tesco's latest loyalty card innovation looks particularly smart. The supermarket chain has reinforced its position as market leader by coming up with a bold new concept: a loyalty charge card which pays 5 per cent interest on cash balances and charges only 9 per cent on overdrafts.

BT

So much for the Spottiswoode factor: if nothing else, yesterday's restrained review of British Telecommunications' prices should dispel fears that the gas regulator's recent bills would start a trend.

Furthermore, it is a clever way of achieving a marketing victory in the extremely competitive food retailing market without cutting prices.

KHD

Germany's willingness to mount yet another rescue of Klockner-Humboldt-Deutz is astounding. This is the third refinancing attempt in seven years and this time the engineering group may have lost a massive DM950m (\$625m) - nearly three times its shareholders' funds - on old contracts.

But of course there had to be a loser. It is less than a month since J. Sainsbury announced its own plan to launch a loyalty card - well behind similar initiatives from Tesco and Sainsbury.

Pressure grows on Netanyahu to pursue Mideast peace talks

By Edward Mortimer in London

Arab and western leaders yesterday increased pressure on Mr Benjamin Netanyahu, Israel's prime minister-elect, to continue with the Middle East peace process started by the defeated Labour government.

Such statements give a firm message to Mr Netanyahu, who has ruled out a Palestinian state and any meeting with Mr Arafat.

But he did not mention peace with Syria and Lebanon, or give any sign he would be willing to withdraw from Arab territory.

UK steps up veto policy over EU beef ban

Continued from Page 1

ber states, a move strongly backed by Britain. Mr Clarke, defended the policy of non-cooperation which he said had been forced on Britain by the lack of co-operation from its partners.

blocked a resolution declaring 1997 to be the EU's year against racism; a recommendation to help women get top jobs; a resolution on the transparency of vocational training certificates; and an agreement to produce annual EU-wide demographic reports.

tax on cut flowers was also vetoed. Today in Luxembourg, Mr Michael Howard, the home secretary, is expected to block measures to fight crime and terrorism.

At a parallel meeting of EU social affairs ministers, Britain

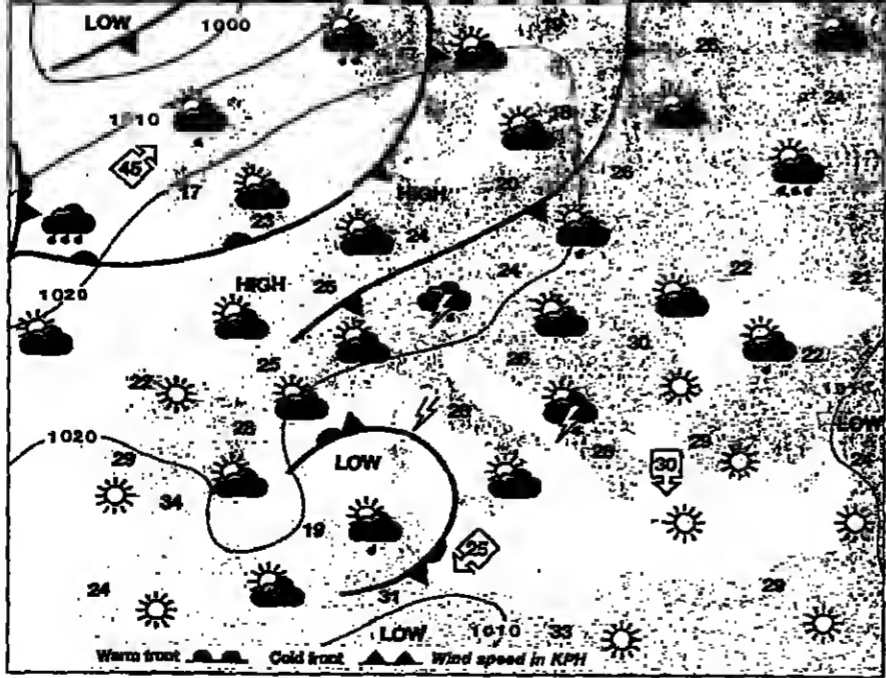
A move to reduce value added

tax on cut flowers was also vetoed.

FT WEATHER GUIDE

Europe today

Warm air over southern Europe will slowly spread north. As a result, afternoon temperatures in most of France will exceed 25C while the Benelux will have maximums around 20C.



Five-day forecast

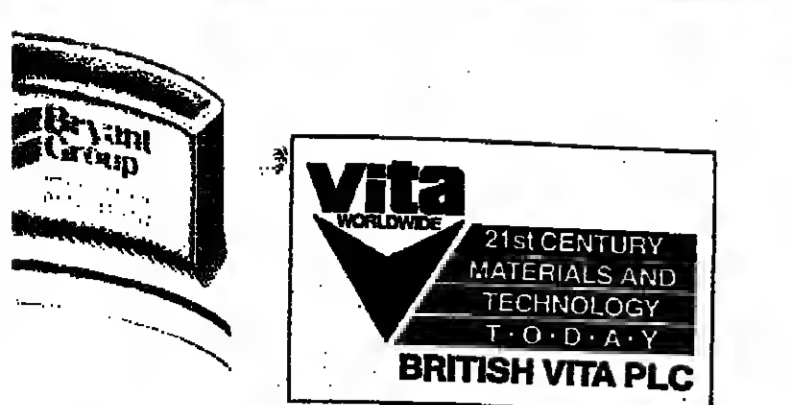
Occasional thunder showers will affect Italy and the Balkan states during the next few days. Most of Europe will be warm but the Benelux, France and Germany will be unusually hot.

TODAY'S TEMPERATURES

Table with columns for city, temperature, and weather conditions. Includes cities like Abu Dhabi, Athens, Beijing, Berlin, etc.

Lufthansa logo and slogan: 'The airline for people who fly to work.'

Advertisement for Siebe plc and Unitech plc, featuring a world map and the text 'MORGAN STANLEY & CO. June 1996'.



Fletcher King CHARTERED SURVEYORS COMMERCIAL PROPERTY CONSULTANTS

IN BRIEF ISS shares plunge to two-year low

Shares in ISS, the Danish-based international contract cleaning group, slid to a two-year low of DKK102 as its financial crisis degenerated into a feud between Mr Henrik Skjotesager, former US manager, and the present management.

Gemina slides 9% on news of losses Shareholders in Gemina, which include some of Italy's largest corporate dynasties, saw the value of their investment tumble almost 9 per cent, following Friday's announcement of heavier-than-expected losses.

Political worries restrain Prague index In Prague, blue chip stocks moved sharply lower as investors awaited the outcome of talks on forming a new government after the decisive general election vote at the weekend.

Enichem to sell L200bn Montefibre stake Enichem, the chemicals subsidiary of Eni, Italy's state-controlled oil, gas and chemicals company, is to complete its restructuring with the L200bn (24.5bn) sale of its majority stake in Montefibre, a quoted Italian manufacturer of synthetic fibres.

Japan Tobacco hit by planned share sale Japan Tobacco, the state-owned tobacco company, has set in train plans for the second public offering of shares held by the government.

Chung plans new route for Hyundai Motor After years of steady growth, Hyundai Motor is facing increasing challenges. These pressures may explain the belief of Mr Mong-Gyu Chung, the new chairman, that his group, long regarded as part of one of Korea's most determined and independent-minded chaebols (conglomerates), should co-operate more closely with other carmakers.

Univar board backs \$500m Pakhoed bid Pakhoed, the Dutch oil and chemical storage company, has launched a public offer for all outstanding shares of Univar, the US chemical distribution company in which it holds a 28 per cent stake.

Facia's shoe shops go into administration Shoe shops belonging to the UK's Facia Group were put into administration after accountants KPMG withdrew a High Court challenge to have them placed into receivership along with other parts of the group.

Table with 2 columns: Company Name and Share Price/Change. Includes AGF, AIG, Alkermis, etc.

Market Statistics table with columns: Metric and Value. Includes Annual reports service, Bond futures and options, etc.

Chief price changes yesterday table with columns: Market/Instrument and Price Change. Includes Frankfurt (Dax), Paris (Cac40), etc.

Deutsche Babcock sees 'another recession'

By Michael Lindemann in Bonn Deutsche Babcock, the German engineering conglomerate, yesterday reported an unspecified loss in the six months to the end of March and said there were further signs that the German engineering industry was heading for "another recession".

German engineering group incurs interim loss as new orders weaken While Deutsche Babcock suggested its own difficulties reflected those of the industry generally, analysts said the Oberhausen-based group had plenty of homemade problems, mainly because it had done too little to cut costs and had not focused its businesses.

Little has happened since then even though the group admitted in the letter to shareholders that the size of this year's forecast losses, which are expected to be lower than the DM46m shortfall reported last year, depended on how many businesses it managed to dispose of.

Mobil shake-up reaches structure at the top

By Christopher Paros in Los Angeles Mobil, the leading US energy multinational, yesterday announced a top management shake-out intended to complement the deep-seated operational restructuring under way in the group.

UK investment bank recruits head of Flemings in London's latest high-profile move

By John Gapper, Banking Editor Mr Bill Harrison, head of investment banking at Flemings, the UK merchant bank, is to take over as chief executive of BZW, the investment banking arm of Barclays.



Bill Harrison: was approached by BZW in February

Mr Harrison, 47, was chosen by Barclays ahead of internal candidates who included Mr Donald Brydon, BZW's deputy chief executive. Mr Harrison will succeed Mr David Band, 53, who died in March while on a skiing holiday.

Mr Taylor said BZW had looked outside to fill the post before Mr Band's death because it had been already planning for someone to take over from Mr Band in due course. He spoke to Mr Harrison about this possibility in February.

Mr Manser will take over as chairman of Flemings' investment banking committee with five executives under him. Other investment bankers privately expressed surprise at Barclays' choice of Mr Harrison, arguing that he lacked the experience to manage all BZW's operations.

Crédit Foncier investors threaten rebellion

By Andrew Jack in Paris Minority shareholders in Crédit Foncier de France, the troubled property bank, believe they may have amassed enough voting power to block approval of the group's accounts at its annual general meeting, scheduled for the end of this month.

Dalgety warns as BSE and cat disease hit profits

By Frederick Oram, Consumer Industries Editor Dalgety, the food processor, yesterday made the first BSE-related profits warning by a large UK public company since the European Union banned exports of British beef in late March.

Crédit Foncier investors threaten rebellion

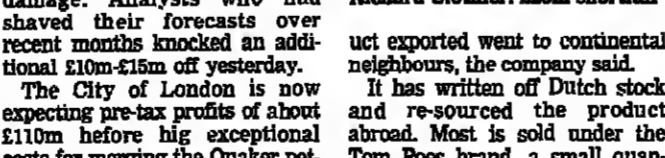
have asked them to explain the reasons for sharp changes in accounting practices. Mr Colette Neville, head of Adam, the French association for the defence of minority shareholders which is acting for investors in the group, said she had proxies for more than 6m shares, which based on attendance at the last few AGMs would be sufficient to achieve a one-third blocking minority.

Dalgety warns as BSE and cat disease hit profits

Worldwide operations, including trading and logistics, chemicals, new exploration projects and liquefied natural gas will also be managed separately but on a global basis. Technology, newly designated as a business group in its own right "to reflect its importance to the corporation", also falls into this category.

The Royal Bank of Scotland plc

Advertisement for The Royal Bank of Scotland plc, mentioning the sale of share capital and indebtedness of The Charles Church Group plc to Beazer Homes Plc.



Richard Clothier: £25m shortfall

Dalgety's shares closed up 1p at 375p because the City was relieved it had quantified the damage. Analysts who had shaved their forecasts over recent months knocked an additional £10m-£15m off yesterday.

J O Hambro Magan & Co

acted as financial adviser to The Royal Bank of Scotland plc. J O Hambro Magan & Company Limited 32 Queen Anne's Gate London SW1H 9AB

Deutsche Telekom turns its talent to global networking

Problems at home seem smaller as the group makes inroads to foreign markets

When Mr Ron Sommer and his seven colleagues on the Deutsche Telekom management board reveal 1995 results today, they will have a hard job explaining the company's poor service and high tariffs. One thing they can be quietly pleased about, though, is the way Deutsche Telekom - due to be partially privatised in November - has managed to launch itself on to the international stage. The achievement is all the more remarkable, analysts point out, because 18 months ago the state-owned behemoth was forbidden under the German constitution to own telecoms businesses outside Germany. "Having been a non-runner a few years ago, Deutsche Telekom is catching up very well indeed," a leading London-based telecoms analyst says. Catching up - or better, positioning Deutsche Telekom well at a time when further changes are expected among the global

Deutsche Telekom worldwide strategy

Country	Asia					Eastern Europe					Western Europe		Worldwide
	Indonesia	Malaysia	Philippines	Thailand	Kazakhstan	Russia	Ukraine	Hungary	Austria	Poland	Czech Republic	Switzerland	
Germany	Technology	Technology	Technology	Technology	Technology	Technology	Technology	Technology	Technology	Technology	Technology	Technology	Technology
Area of business	mobile phone-satellite communications	fixed network	fixed network mobile and paging	fixed network mobile and paging	fixed network	mobile and paging	Long distance telephone and international switching	Full telecoms services	mobile phone network	mobile phone network	mobile phone network	mobile data communications	paging services
Share of Telekom	25%	17%	35%	25%	25%	25%	25%	25%	25%	25%	41.4%	81%	40%
Market	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile	Mobile

telecoms operators - is now the job of Mr Erik Norderkorn, a 58-year-old Dutchman. He briefly ran Pöcker, the regional aircraft maker now on the brink of bankruptcy. Mr Norderkorn is battling on two fronts. On one side, Deutsche Telekom has a stake in Global One, the three-way venture with France Telecom and Sprint, the US telecoms group. The alliance is designed to provide one-stop shopping for companies needing international telecoms services. Global One, Mr Norderkorn admits, is "an important part of our international strategy". In the same breath, though, he points out that "the three partner companies have their own independent policies" when it comes to international activi-

ties. Mobile phone services and fixed network projects in specific countries, he says, are examples of the sort of business that Deutsche Telekom is developing on its own. While other management board members are fighting to improve Deutsche Telekom's pitiful reputation in Germany, Mr Norderkorn at least has the advantage of dealing with companies outside Germany who hold the Germans in high regard, in part because of their experience in re-wiring the whole of eastern Germany, a mammoth operation costing DM50bn (\$32.6bn). "Many want to be our partners," he says. "Before you know it, you're looking at 200 different projects." That, he admits, is a task

which even Deutsche Telekom - with its 210,000 employees and apparently limitless amounts of cash - cannot cope with. In an effort to focus the activities, Mr Norderkorn's team has drawn up a "hit list" of 29 countries where Deutsche Telekom wants to play a role. The affable Dutchman will not specify where Deutsche Telekom is concentrating its resources, but clearly Asia has become important, not least because, as Mr Norderkorn points out, the region is expected to account for 35 per cent of world GNP in 2010. Deutsche Telekom recently bought into Technology Resources Industries, a Malaysia-based operator, and there is speculation it is about to do

a deal with Shinawatra of Thailand and Asia Communications Philippines. While Deutsche Telekom generally prefers majority stakes, it is prepared to take on smaller ones as at TRI where, Mr Norderkorn says, the contracts have been designed to ensure that the Germans have "management influence". The other two Asian deals may be more attractive because Shinawatra and Asia Communications Philippines are already linked, giving Deutsche Telekom a stake in what is already shaping up as a regional alliance. Furthermore, Global One is still looking for at least two partners to consolidate business in Asia. While there has been speculation that the alli-

ance would want to get a Japanese partner on board, Mr Norderkorn is quick to point out that this alone is not enough to bridge the region's "different cultures". Elsewhere, Deutsche Telekom has moved quickly to win deals in eastern Europe where mobile telecoms is especially attractive because of the poor state of the fixed networks. Analysts, meanwhile, suggest that Global One must follow the way of the US regional operators - the so-called Baby Bells. The US companies have struck a number of alliances in recent months and expanded into services directed more at private customers - phone charge cards, entertainment services, the re-sale of mobile services - in part because ser-

vices from corporate clients alone are not sufficiently profitable. Mr Norderkorn backs the idea that Global One may follow suit. "Global One will be supplying seamless services to business clients, consumers and carriers. That's it," he says. Whether Global One is going to be content with doing just that remains to be seen. Clearly, Deutsche Telekom's concern is to fit as many strings to its bow as it can ahead of another bout of consolidation in the international telecoms market. In the words of one analyst: "The bigger its portfolio is, the more attractive it becomes."

Henkel chairman upbeat

Mr Hans-Dietrich Winkhaus, chairman of Henkel, said yesterday the German chemicals group expected to achieve double-digit sales growth in 1996. AFX reports from Düsseldorf. However, he warned that earnings growth would be slower because of the costs of buying Schwarzkopf, the hair products company. "The outlook for the whole of 1996 is generally positive for Henkel," Mr Winkhaus told shareholders at the annual meeting. The company expected economic growth to remain moderate. "There has been a delay in the expected upturn in private consumption in western Europe," he said. US markets were stabilising and the Japanese market was recovering slowly, while growth in the other markets in south-east Asia was continuing apace. Mr Winkhaus said. In the first four months of the current year, sales grew 12 per cent to DM5.28bn (\$3.1bn), largely as a result of the acquisition of Schwarzkopf from Hoechst. Pre-tax profits rose 4 per cent to DM254m, and net profits developed even better, said Mr Winkhaus. In 1995, Henkel's profits were DM488m; pre-tax they were DM760m, on sales of DM14.2bn.

Michael Lindemann

ISS shares dive to two-year low as crisis deepens

By Hilary Barnes in Copenhagen

Shares in ISS, the Danish-based international contract cleaning group, slid to a two-year low yesterday as its financial crisis degenerated into a feud between Mr Henrik Slipsager, former US manager, and the present management. At the close in Copenhagen the shares were at DKR102, down DKR13 on the day and 39 per cent below last Wednesday's close of DKR144. On Thursday, ISS announced it would take extraordinary charges of \$100m in 1996 to increase provisions for insurance liabilities at ISS Inc in New York, and to cover book-keeping irregularities there over the past five or six years. The irregularities, allege ISS, have artificially inflated profits. It says it will take legal action against those found responsible. Meanwhile, the Copenhagen stock exchange has asked the Finance Industry Supervisory Authority to investigate insider trading connected with a put option placed shortly before the ISS statement on Thursday. The statement, which said the extra provisions were required to cover problems in New York going back several years, has drawn attention to the possible role of Mr Slipsager, who resigned in 1994, and other members of the former ISS management team. Management underwent sweeping changes last autumn when Mr Waldemar Schmidt, former manager for the Europe division, succeeded Mr Poul Andreassen as chief executive. Mr Slipsager leapt to his own defence yesterday in a five-page statement to the media. ISS said it would make extra



Waldemar Schmidt: promotion marked start of overhaul

provisions of \$40m to meet potential liabilities under its self-insurance programme, used primarily to meet accident damage claims from employees. Mr Slipsager said the provisions were always approved by the board and its US committee while he was in charge in New York. ISS said it would also take a charge of \$30m to cover balance sheet irregularities which have inflated profits, and another \$30m to cover possible further irregularities. Mr Slipsager claimed he had information that the actual value of irregularities exposed so far was "closer to \$5m than \$30m". While irregularities could not be defended or excused, "they should not be used as a dumping ground for other problems" or "to wash off the management's failure to achieve its targets on to me". ISS refused to comment yesterday.

A BRIEF ILLUSTRATION OF OUR STRENGTH IN RISK MANAGEMENT

(Or, Why Choosing The Right Bank Can Make A World Of Difference)

Fact is, very few banks can equal our global strength and resources in risk management. As a major player in the world's capital markets, we are able to provide a broad range of derivative products tailored to your financial needs. In short, providing unparalleled risk management solutions is a feat we are superbly qualified to perform.

Bank of America

Canadian Imperial Bank of Commerce
 Notice to holders of
CIBC Floating Rate Debenture Notes Due 2004
 and
CIBC Floating Rate Subordinated Capital Debentures Due 2005
 (together the "Issues")
 Pursuant to Section 4.02(c) of the Trust Indenture dated as of July 26, 1985 providing for the issue of Floating Rate Debenture Notes Due 2004 and Section 4.03(c) of the Trust Indenture dated as of August 15, 1986 providing for the issue of Floating Rate Subordinated Capital Debentures Due 2005, CIBC hereby provides notice of the formal resignation, effective March 1, 1996, of Canadian Imperial Bank of Commerce (New York), as Principal Paying Agent for the Issues. CIBC also hereby provides notice of the formal appointment, effective March 1, 1996, of United Missouri Trust Company of New York as Principal Paying Agent for the Issues.
 Dated at Toronto, June 4, 1996
 Canadian Imperial Bank of Commerce
 P. T. Fisher, Corporate Secretary

MORTGAGE FUNDING CORPORATION NO. 6 FLIC
 \$134,598,000
 Class A1 Special Mortgage Backed Floating Rate Notes due November 2005
 \$5,980,000
 Class A2 Mortgage Backed Floating Rate Notes due November 2005
 \$5,980,000
 Class B Mortgage Backed Floating Rate Notes due November 2005
 \$5,980,000
 In accordance with the provisions of the Trust Indenture, notice is hereby given that the rate of interest for the period from May 31, 1996 to August 30th, 1996, has been fixed at 8.25 per cent per annum. On August 30th, 1996 interest of floating 77.5% per annum (plus 3,000 nominal amount of the Notes, and interest of floating 388.55 per annum (plus 25,000 nominal amount of the Notes), will be due against Coupon No. 47.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
 Sterling Floating Rate Notes due 1997
 In accordance with the provisions of the Trust Indenture, notice is hereby given that the rate of interest for the period from May 31, 1996 to August 30th, 1996, has been fixed at 8.25 per cent per annum. On August 30th, 1996 interest of floating 77.5% per annum (plus 3,000 nominal amount of the Notes, and interest of floating 388.55 per annum (plus 25,000 nominal amount of the Notes), will be due against Coupon No. 47.
 * SBC Warburg
 A DIVISION OF FIRST BANK CORPORATION
 Reference Bank

Agents Bank
 Montreal, Quebec

COMPANIES AND FINANCE: THE AMERICAS

Univar board backs \$500m bid from Dutch group

By David Brown in Amsterdam

Pakhoed, the Dutch oil and chemical storage company, has launched a public offer for all outstanding shares of Univar Corporation, the US chemical distribution company in which it holds a 28 per cent stake.

In a cash offer unanimously endorsed by the Univar board, Pakhoed proposes to buy the outstanding 26.6m shares for \$19.45 each - which values the bid at almost \$600m. Univar shares were trading at \$18.45, up

36%, in mid-session yesterday.

Pakhoed said it had already agreed to acquire 5.1m shares held by Dow Chemical of the US and others, which would bring its total stake to 51 per cent. Pakhoed valued the remaining shares at F1530m (\$304m).

Univar is a market leader in the North American chemical distribution market, with a turnover of \$2bn, and an important group in the UK, Scandinavia and Switzerland. By integrating Univar's operations with those of Lambert Riviere, a French company it

acquired in 1985, Pakhoed said it would become the second-largest chemicals distribution group in Europe. It has a presence in France, Italy, Spain, and Portugal.

The deal is to be financed by existing liquidity, bank credit lines, and a tranche of preference shares to be issued in the second half of this year. Mr Klaas Westerdijk, Pakhoed chairman, said it was an important step in the company's strategy to become a leading global contender.

"We are laying a strong base for

further profit growth of Pakhoed in the future," Mr Westerdijk said. However, in the short term, the acquisition will be accompanied by a reorganisation to include Univar's US operations. Other measures will include a divestiture of Pakhoed's Furness subsidiary, which is involved in logistics and port services, as well as restructuring at its Seaport Terminals and of its Rotterdam facilities for mineral and edible oils handling.

These measures will involve extraordinary expenses and have a

significant impact on net profit this year. However, Pakhoed said the result from "ordinary operations" would remain roughly unchanged.

Pakhoed said Univar's activities, to be consolidated from July 1, would make an immediate contribution to its bottom line, despite the fact that Univar made only a small profit last year. It also plans to expand further in the east Asian oil and chemical transport markets.

In 1995, Pakhoed increased net profits from F192.7m to F1121.5m.

NEWS DIGEST

Canadian Marconi surges in final term

Canadian Marconi, the defence electronics group moving into commercial products, posted fourth-quarter net profit of C\$8.6m (US\$4.8m), or 27 cents a share, up from C\$1.6m, or 7 cents, a year earlier, as a result of better margins and rising productivity. Revenues were C\$82m against C\$80m.

The company, 51 per cent held by GEC of the UK, almost doubled earnings in the year from C\$4.7m, or 20 cents, to C\$9.1m, or 38 cents, on sales flat at C\$251m. Commercial business reached 46 per cent of sales, and the order backlog at March 31 was C\$180m against C\$206m a year earlier.

Robert Gibbens, Montreal

DFR to warn on Inco bid close

Diamond Fields Resources will provide four days' advance warning of the planned closing date for Inco's C\$4.3bn (US\$3.14bn) takeover. The deal was to have closed on May 29, but this was delayed by a lawsuit filed by former Texas associates of Mr Jean Raymond Boule, DFR co-chairman. DFR shareholders will have four days to decide which option they wish to accept under the Inco bid.

Robert Gibbens

Private interest in Ontario Hydro

The crown-owned Ontario Hydro - one of Canada's two largest electric power utilities - confirmed it was negotiating possible private-sector investment in its nuclear generation system. Industry reports claim Morgan Stanley Canada has made an approach with an offer from private investors.

Robert Gibbens

SB to buy Colombia drugs group

SmithKline Beecham, the Anglo-US drugs group, is to acquire Italmex, a Colombian pharmaceutical company with sales of \$19m, to bolster the Colombian OTC drugs business that it acquired from Sterling Health in 1994. Italmex's main drug is paracetamol, accounting for 40 per cent of sales.

Jenny Luesby

HP claims computing record Nasdaq company faces suit

By Louise Kehoe in San Francisco

Hawlett-Packard, the US computer group, has claimed a performance record in the technical workstation sector with machines used in complex design and modelling applications.

The HP machines, introduced yesterday, are based on a new version of the company's Pa-Risc microprocessors and are almost three times faster than existing HP workstations.

HP, number two in the \$5.2bn world market, saw technical workstation revenues grow 25 per cent last year, faster than those of Sun, which led the market last year with about a 30 per cent share.

The new machines mean designers of complex structures such as an aircraft wing, or a microchip containing millions of transistors, could shave weeks off the months that it might take to complete such a project, said Mr Dick Watts, vice-president and general manager of HP's computer systems organisation.

In particular, HP has lifted the 3D graphics performance of its workstations. While easily outpacing Sun's fastest workstations, the new HP machines are also three times faster than Silicon Graphics' highest performance graphics workstation, HP claims.

In terms of raw computing power, HP also claims to have overtaken the current perfor-

mance leader, Digital Equipment. Performance is a critical competitive issue in the engineering and scientific market, where engineers seek the ability quickly to render complex graphic models for mechanical and electrical design.

HP also unveiled intranet software to enable engineers linked to computer networks to collaborate more efficiently. The software, which incorporates a Netscape browser, allows engineers to find stored files more quickly.

HP's technical intranet software would help engineers become more productive through faster data access, said Mr Mark Canepa, general manager of HP's workstation division.

By Meggie Orry in New York

The US Securities and Exchange Commission has filed a lawsuit against Comparator Systems, alleging the company and three of its officers broke securities laws. The company, involved in fingerprint identification technology, has denied the charges.

Trading in the company's shares on Nasdaq was halted by the National Association of Securities Dealers on May 9 after the share price leapt from a few cents to nearly \$2 in four days of remarkably heavy trading, and then fell sharply.

The SEC's complaint alleges that Comparator, Mr Robert Rogers, its chairman, Mr Greg-

ory Armijo, a director, and Mr Scott Hill, a former vice-president, overstated the company's assets so as to pass the Nasdaq's minimum size requirements to maintain its stock quotation and to enable it to sell shares to investors.

The SEC alleged: "The defendants (including Comparator itself) sold tens of millions of shares of Comparator stock to investors while making material misrepresentations concerning the financial status of the company".

The NASD has already launched a review of its maintenance standards in the wake of the episode.

At present, a company quoted on Nasdaq's SmallCap market must have assets of

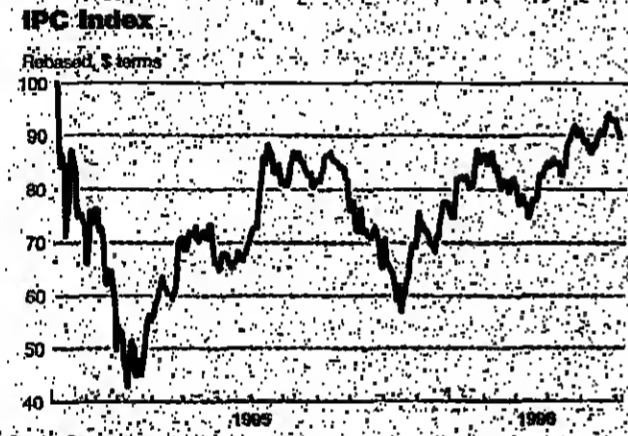
\$2m to maintain the quote.

The SEC complaint also alleges that the company stole a new generation of fingerprint technology and told investors it owned the technology, which had substantial market potential.

A group of investors who bought shares after they rose sharply has already filed a lawsuit against the company. The group said last month it was reviewing the valuation of \$4.4m of assets.

Comparator went public in 1979 but is not profit-making. The SEC's complaint covers the accounts for the years ending June 1994, June 1995, and financial statements for the first three quarters of the current year.

Mexican search for maturity leads to Chicago



The bourse has launched offshore derivatives, reports Laurie Morse

The Mexican stock exchange, the Bolsa Mexicana de Valores, helped launch offshore derivatives in its benchmark IPC equity index in Chicago last week. The move is expected to encourage greater international participation in the Mexican stock market.

The rare co-operation between the BMV, the Chicago Mercantile Exchange and the Chicago Board Options Exchange is a precursor to Mexico opening its own domestic derivatives market this autumn. Although the Chicago contracts could provide stiff competition to the BMV's own derivatives, Mexican stock exchange executives say the benefits outweigh the risks.

"We have seen a major integration of our economies," says Mr Manuel Rohlada, BMV chairman. "Not recognising the relevance of globalisation to our markets would be a mistake."

The IPC index contracts launched in Chicago will provide international money managers with a facility to hedge or perform arbitrage trades using the Mexican share market and Chicago's corresponding dollar-based futures and options contracts.

Historically, the ability to limit risk from share holdings with exchange-traded derivatives has greatly increased liquidity and international participation in equity markets. The BMV has an automated order delivery system, similar to the New York Stock Exchange's Dot system, that allows traders to buy all 35 stocks in the IPC index simultaneously to help arbitrage.

Mexican government regulations aimed at limiting systemic financial risk sidelined the BMV's own plans to trade IPC-based futures and options after the 1994 peso devaluation and currency crisis. However, those regulations are in the process of being relaxed, and Mr Rohlada is confident the BMV will be able to open its derivatives market this September.

"All our technical systems are working perfectly," he says. "We are just awaiting some details from the government." The government recently asked for public comment on new derivatives rules and has now issued regulations that allow share borrowing and lending - a feature crucial for portfolio asset allocation.

Once the regulatory details

are in place, the BMV plans to launch futures on the IPC index denominated in pesos, as well as futures on the Ceta, the three-month Mexican Treasury instrument, and a peso/US dollar futures contract. Mr Bernardo Gonzalez-Arechiga, the BMV's senior vice-president for derivatives, says the futures contracts would be traded in open outcry on the BMV's floor, while options would follow on an electronic system.

The Chicago exchanges have promised to provide technical and educational support for the BMV's derivatives initiative. While the CME's peso and IPC futures contract may compete head-to-head with similar futures on the BMV, there are enough differences to offer some trading opportunities, says Mr Hernando Sabao, executive director for derivatives at Serfin, a Mexican investment company.

The launch of the Mexican equity derivatives coincides with revival in the country's stock market. Despite the economy's battering after the peso's devaluation, foreign investment in Mexican equities has held relatively constant at about 27 per cent of market capitalisation, and has crept up to about 29 per cent in the past four months.

"What we find is that foreign investment didn't actually leave Mexico, or what did leave was replaced (after the currency crisis)," says Mr Gerardo Flores Deuchler, the BMV's chief executive officer. Although the IPC index plunged 39 per cent after the devaluation, it had fully recovered by March 1995, and by May 22 this year it had reached a record 3,353.

The CME has already found there is significant global demand for Mexican risk management products. Its year-old US dollar/peso futures contract has open positions with a notional value close to \$1bn.

The BMV's Mr Gonzalez-Arechiga says the Chicago's futures contracts on pesos and the IPC index will actually provide a barometer for his exchange. Cross-market co-operation "is one of the things we are looking for," he says. "It will be a sign of market maturity for us if we can succeed with cross-margining and cross-hedging agreements between our derivatives and those in Chicago."

Aetna Life and Casualty Company

has agreed to merge with

U.S. Healthcare, Inc.

J.P. Morgan & Co. is acting as a financial advisor to Aetna Life and Casualty Company on this US\$5.9 billion transaction

JPMorgan

Pending

Hannover Rückversicherungs AG

DM 250,000,000

Revolving Credit Facility

J.P. Morgan Securities Ltd. acted as arranger on this transaction

JPMorgan

November 1995

INA Financial Corporation

a subsidiary of

CIGNA Corporation

has completed a financial restructuring and recapitalization of its property and casualty operations

J.P. Morgan & Co. acted as financial advisor to INA Financial Corporation on the restructuring

JPMorgan

March 1996

GE Global Insurance Holding Corporation

US\$600,000,000

7% Notes due 2026

J.P. Morgan & Co. acted as lead manager of this issue for a new holding company formed by GE Capital Services and Employers Reinsurance Corporation

JPMorgan

February 1996

The Manufacturers Life Insurance Company

has sold its UK life operations to

The Canada Life Assurance Company

Morgan Guaranty Trust Company of New York acted as financial advisor to The Manufacturers Life Insurance Company

JPMorgan

March 1995

Travelers/Aetna Property Casualty Corp.

J.P. Morgan Capital Corporation has made an equity investment of US\$200 million in this new property and casualty company

JPMorgan

April 1996

UAP Holdings Limited

£370,000,000

Private Placement of Term Loan due 2000

J.P. Morgan Securities Ltd. acted as arranger of this transaction for the holding company of the UK and Irish operations of the UAP Group

JPMorgan

December 1995

Xerox Corporation

has agreed to sell

Talegen Holdings, Inc.

The Resolution Group

to

Kohlberg Kravis Roberts & Co.

and existing management

J.P. Morgan & Co. acted as a financial advisor to Xerox Corporation on this US\$2.7 billion transaction

JPMorgan

Pending

Advice and capital for the insurance industry

JPMorgan

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COMPANIES AND FINANCE: UK

Facia's shoe shops go into administration

By William Lewis, John Mason and Christopher Brown-Humes

Shoe shops belonging to the Facia Group were yesterday put into administration after accountants KPMG withdrew a High Court challenge to have them placed into receivership along with other parts of the group.

After lengthy out-of-court negotiations, KPMG and United Mizrahi Bank, which has lent £2m (£1m) to Facia, agreed to drop their challenge to three Facia shoe subsidiaries being put into administration.

Lawyers for Sears, which petitioned for an administrator to be appointed to the shoe shops it sold to Facia, said that Mr Stephen Hinchliffe, chairman of Facia, had not opposed the administration order.

Barclays to merge private banking

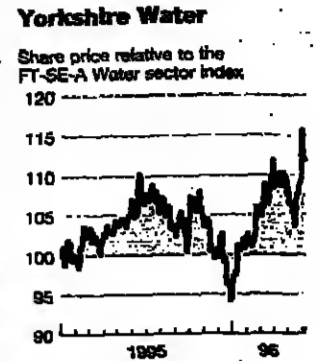
By Motoko Rich

Barclays Bank has applied for a separate banking licence for its London-based private banking businesses in an effort to offer an integrated asset management service to wealthy clients.

LEX COMMENT

Yorks Water

If this is the "punishment" for its failures during last summer's drought, Yorks Water has been let off lightly. Despite the water regulator's harsh words, there is no rebate for Yorkshire's customers, merely a commitment by the utility to raise next year's prices by less than previously agreed. This will cost Yorkshire just \$40m in lost income, spread over three years, at a time when it will be making annual profits of over £30m. Nor should it prove too difficult to make up a chunk of that lost revenue by squeezing out further efficiencies from the core business: the company's cost base is still about \$400m.



Of course Yorkshire need not have given away anything at all. Since it was not in breach of its licence conditions the water regulator had no legal powers to force it to give up revenue before the next periodic review in 1998. But with the company in such bad odour with the public, its new management has been falling over itself to accept blame and make amends. Apart from the \$40m price reductions, the group has now promised a total of £220m of additional investment to improve supplies and reduce leaks.

Sears' investors unhappy

By Ross Tremen

Liam Strong, the chief executive of Sears, is facing increasing criticism from disgruntled shareholders after Facia Group, the buyer of its unwanted shoe shops, went into receivership.

Some shareholders are sympathetic to the company's difficulties. "They were faced with a choice of closure costs or a potential sale that resulted in a lower charge. The net results appear to be pretty similar," said the head of one English institution.

Analysis is less charitable. "Over the last few years Strong's and Sears' credibility have gradually eroded," said one. "We are entering the endgame of the current strategy."

The Mortgage Bank and Financial Administration Agency of the Kingdom of Denmark
(Kongeriget Danmarks Hypothekbank og Finansforvaltning)
U.S. \$100,000,000

Guaranteed Floating Rate Notes due 2005
unconditionally and irrevocably guaranteed by
The Kingdom of Denmark

For the six month Interest Period 3rd June, 1996 to 2nd December, 1996 the Notes will carry a Rate of Interest of 5.325 per cent. per annum, with Coupon Amounts of U.S. \$134.60 and U.S. \$2,692.08 per U.S. \$5,000 and U.S. \$100,000 Notes respectively. The relevant Interest Payment Date will be 2nd December, 1996.

Bankers Trust Company, London Agent Bank

CITICORP MORTGAGE SECURITIES, INC.
U.S. \$57,057,000
(Initial Secured Amount of Class A-1 Certificates)

REMIC Pass-Through Certificates, Series 1987-13

For the period 1st June, 1996 to 31 September, 1996 the Class A-1 Certificates will carry an interest rate of 6.25% per annum with an interest amount of U.S. \$0.86 per U.S. \$1,000 (the Initial Secured Amount of an individual Certificate) payable on 1st September, 1996. The Secured Amount of the Certificates outstanding will be 5.52615999% of the Initial Secured Amount of the Certificates or U.S. \$33.26 per individual Certificate until 1st September, 1996.

Bankers Trust Company, New York Agent Bank

SOCIETE GENERALE
USD 500,000,000 UNDATED SUBORDINATED FLOATING RATE NOTES
ISIN CODE: FR0008202590

For the period May 31, 1996 to November 29, 1996 the new rate has been fixed at 5.6875 % p.a.

Next payment date: November 29, 1996
Coupon rate: 20
Amount: USD 288.29 for the denomination of USD 10 000
USD 2888.27 for the denomination of USD 100 000

The Principal Paying Agent
SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

BRADFORD & BINGLEY

\$15,000,000 Series 17
Floating rate notes due May 2000

Notice is hereby given that the notes will bear interest at 6.12% per annum from August 1996. Interest payable on 30 August 1996 will amount to \$1,530.04 per \$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

WOOLWICH Building Society

\$40,000,000 Series 47
Floating rate notes due May 2000

Notice is hereby given that the notes will bear interest at 6.125% per annum from 31 May 1996 to 30 August 1996. Interest payable on 30 August 1996 will amount to \$1,537.80 per \$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (£)	Current dividend (p)	Date of payment	Dividend/corresponding dividend	Total for year	Total last year
Adrian	186.5 (90.5)	10.5 (2.91)	30.31 (12.5)	2.8	Aug 30	21	3.8	3.1
Carverland Trust	4.59 (2.22)	1.92 (0.77)	6.81 (9.1)	3.55	July 12	3.3	5.8	5.7
Faber Trust	45.1 (47.2)	1.29 (0.44)	1.81 (12.1)	8	-	6	17	17
Members Insurance	95.1 (89)	11.1 (6.03)	10 (7.4)	3.7	Aug 18	3.7	5.55	5.56
Independent Parts	20.3 (18)	3.7 (2.6)	12.58 (9.02)	4	Aug 15	6	6	-
South Stars Water	81.6 (80)	15.8 (14.3)	184 (173)	54	Jul 1	49	77	88
Storia	85.8 (82.8)	12 (11.9)	2.38 (2.2)	0.95	Sept 5	0.75	-	1.75
Waters	10.4 (15.1)	0.26 (4.37)	5.91 (3.8)	1.5	July 31	-	-	-
Waltham	96 (95.8)	2.06 (10)	2 (10.8)	3	Aug 8	3	4.5	4.5
Waltham	143.3 (131.2)	8.06 (12.1)	14.1 (24.2)	3.25	Aug 12	2.75	5	4.25
Investment Trusts	NAV (M)	Attributable Shareholders	EPS (£)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total last year
NICT	Yr to Mar 31 377.5 (206.7)	3.67 (2.54)	24.43 (18.82)	8.25	July 16	8	18.25	15
NICT S	Yr to Mar 31 40.5 (28.2)	2.89 (0.289)	4.13 (0.44)	2	July 16	0.4	3.55	0.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. *After exceptional credit. †on increased capital. ‡Composites pro forma.

David Lloyd asked to clarify his role

By Roderick Oram, Consumer Industries Editor

Whitbread wrote yesterday to Mr David Lloyd asking the former tennis player to clarify whether he wished to remain involved with the tennis and health club business he sold to Whitbread last year for £500m (£304m).

"He's important as a figurehead to wheel out for events and we want him to stay but if he goes it won't make much difference to running the business," Whitbread said.

Mr Lloyd had been expected to make a statement yesterday but did not. "David is seeking to clarify his management position but he's not trying to wrest back management control," a spokesman for him said yesterday.

Mr Lloyd believed he still had a leading role to play in the company.

Sharp rise in results in first quarter for Fortis

Fortis is an international financial group. It is active in the field of insurance, banking and investment in Western Europe, the United States and Australia through more than 100 Fortis companies. Fortis has over 30,000 employees.

It is possible to invest in Fortis through the shares and depositary receipts for shares in its two parent companies, Fortis AG and Fortis AMEV, each of which owns 50% of Fortis.

Fortis' results in the first quarter of 1996 rose extraordinarily sharply compared with the first quarter of 1995. Net profit rose by 29%, while the operating result increased by 25%. This growth is attributable in particular to its banking operations. The results of its insurance activities in the Benelux and Spain also developed well. Total income increased by 9% to ECU 4.8 billion; the autonomous rise amounted to 4%. Movements in exchange rates on balance had a slightly positive impact on Fortis' results.

The earnings per share of Fortis AG and Fortis AMEV rose by 25% and 22% respectively.

Key figures Fortis AG and Fortis AMEV

	Fortis AG (in BEF)			Fortis AMEV (in NLG)		
	First quarter 1996	First quarter 1995	Increase in %	First quarter 1996	First quarter 1995	Increase in %
Net earnings per share	74	60	23	2.36	1.94	22
Equity per share	2,460	2,249 *	9	85.71	79.74 *	7

* Year-end 1995.

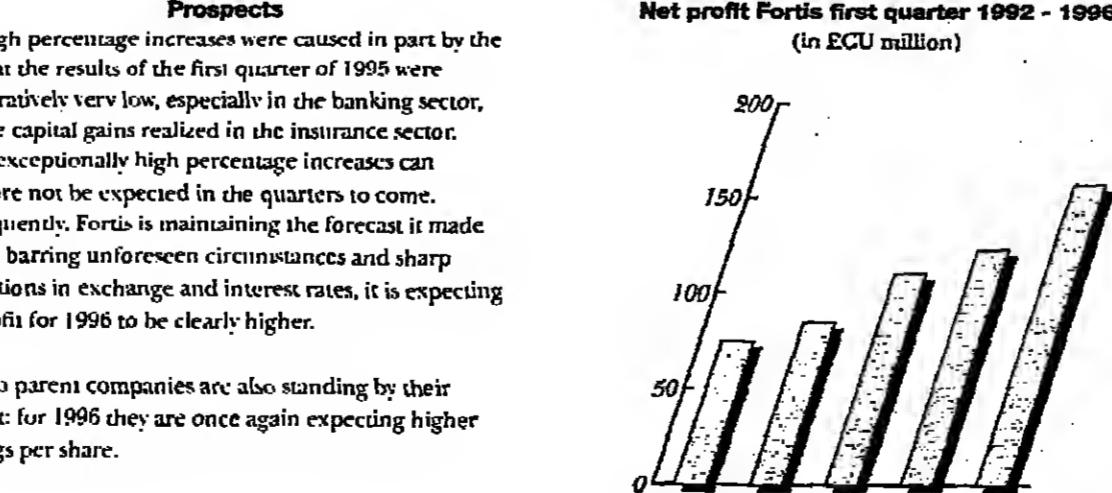
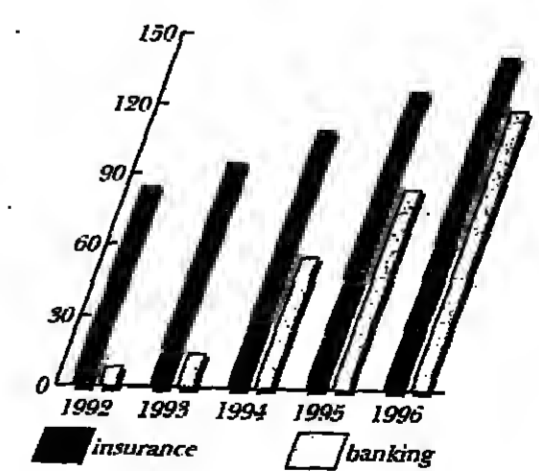
Fortis AG is listed on the exchanges of Brussels, Antwerp, London and Luxembourg. Fortis AMEV is listed on the exchanges of Amsterdam, London and Luxembourg and has a sponsored ADR program in the United States.

Key figures Fortis

(in ECU million)	First quarter 1996	First quarter 1995	Increase in %
Total income	4,842	4,449	9
Operating result	243	195	25
Net profit	157	122	29
Net equity	5,056	4,776 *	6
Total assets	127,771	125,486 *	2

* Year-end 1995.

Operating result Fortis first quarter 1992 - 1996 (in ECU million)



fortis
INSURANCE-BANKING-INVESTMENTS

Information

If you wish to receive a copy of the annual report of Fortis and its parent companies, please contact Group Communication at:

Fortis
Boulevard Emile Jacquinin 53
1000 Brussels
Belgium
Tel: 32 (0)2 226 93 49
Fax: 32 (0)2 220 80 92

Fortis
Archimedeslaan 6
3584 BA Utrecht
The Netherlands
Tel: 31 (0)30 257 65 48
Fax: 31 (0)30 257 78 38

BZW makes surprise choice

The appointment of Mr Bill Harrison as chief executive of BZW is the most significant in European investment banking this year, writes John Capper. It settles the succession at the top of one of the key British firms contending to take a place with the US big league as leaders in global investment banking.

The appointment is a surprise in two ways. First, Barclays has overlooked the obvious claim of Mr Donald Brydon, who was a successful head of its fund management

arm before moving to be deputy chief executive in 1994. Second, Mr Harrison is not the American "big hitter" BZW might have recruited.

Mr Harrison's task is a substantial one. As to why Barclays had not recruited a star from a big US firm such as Goldman Sachs, Mr Martin Taylor, chief executive of Barclays, insisted that the bank would have been prepared to pay the going rate. In some cases, this is up to \$10m per year. But it thought the "cultural fit" with Mr Harrison

was preferable. He is an unlikely merchant banker in some ways. He was educated at the London School of Economics rather than an Oxbridge college, and he still has a Birmingham accent. He is a bustling, energetic man who lacks the disdainful arrogance of many stars of the investment banking industry.

But former colleagues at Flemings say his management abilities are not so great as his dealmaking capacity. He has relied on others to tackle administration.

A second question is the depth of Mr Harrison's experience outside corporate finance. Although capital markets - the part of an investment bank that distributes primary share offerings - was his responsibility at Flemings, he has little experience of secondary equity markets, or of bond markets.

Mr Harrison's immediate task is to reassure those such as Mr Graham Pimlott, BZW's head of merchant banking, who could have doubts about their future.

NEWS DIGEST

Tesco service to challenge banks

Tesco is to take on the high street banks by offering shoppers much higher interest rates than they can get on their normal current accounts.

The UK supermarket group said yesterday it was extending its successful Clubcard loyalty card scheme, which has 6.5m users, by adding debit and interest payment facilities.

Clubcard Plus will offer 5 per cent gross annual interest on deposits - as much as 20 times higher than rates offered by the leading high street banks. National Westminster Bank, which is administering the Tesco scheme, pays just 0.25 per cent gross interest on its interest-bearing current account. Tesco's terms are also better than some building societies'.

Several other UK retailers, notably Marks and Spencer, offer financial services, as do other continental groups, including the French retailer Carrefour and Ahold of the Netherlands.

Christopher Brown-Humes

Emap disposal for £200m

Emap, the media and exhibitions group, will today announce the sale of its regional newspaper business to Johnston Press, the Edinburgh-based newspaper company, for about £200m (\$304m).

The sale, which will coincide with Emap's annual results, will more than double Johnston Press's share of the UK regional newspaper market to more than 6 per cent, making it the fifth largest publisher in its sector.

It will also alleviate pressure on Emap's balance sheet following a recent acquisitions spree and raise speculation over its next likely target area.

Emap, which has interests in business and consumer magazines, radio and exhibitions in the UK, has been keen to replicate its success on the Continent. It already holds 15 per cent of the French consumer magazine market following the £142m purchase in March of three titles. It is also known to be keen to enter the US business magazine market.

The purchase is the biggest deal so far for the fast expanding Johnston.

Christopher Price and James Buxton

Therapeutic Antibodies to float

Biotechnology company Therapeutic Antibodies (TAB) which specialises in poison antidotes, yesterday announced plans to seek a London stock exchange listing through a £30m (\$45.6m) institutional placement, valuing the company at £150m.

TAB is a low-tech biotechnology company, which has refined the traditional way of developing antibodies for snake bites and other types of poisoning.

It has already raised \$45m through private placements in the US, and has production sites in Wales, and Australia.

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404 East Bay Street, Nassau, Bahamas
Tel: 809-393-8777 Fax: 809-394-3284

* Per Tax Management

Casinos restrain Stakis to 13% rise

By James Buxton, Scottish Correspondent

Strong growth in Stakis' hotels division was partly offset by a drop in operating profits at its casinos, leaving the interim pre-tax figure 13 per cent ahead before exceptional items.

Exceeding the flattering effect on the comparison of last year's \$90,000 exceptional gain on the sale of Ashbourne Homes, pre-tax profits for the half year to March 31 were 4 per cent ahead at £12m (\$18.24m) against £11.5m.

Mr Jim McCarroll, managing director of the casino division, left the company last week. A new managing director is to be appointed in the next two months and will join the board.

Operating profit in the hotels division, which is larger than the casino operation, rose 31 per cent to £17m (\$13m).

The division increased the average room rate by 6 per cent to £45.59 and pushed its occupancy rate up by six points to 70.8 per cent.

The casino division reported a drop in operating profit of £1.4m, from £8.4m to £7m. Although the cash drop - the amount exchanged for chips - increased by £5.2m and the gaming win percentage rose from 18.3 per cent to 18.5 per cent this was not sufficient to meet increased costs, resulting from the acquisition of a casino in Bournemouth and manning additional tables.

Mr David Michels, chief executive, said the casinos had performed badly because of a combination of the effect on gambling habits of the National Lottery, the hot weather, guest fees (which were later withdrawn) and lack of promotion. But the performance had improved in the first three months of 1996, and attendance in the current quarter was better. More attention was being given to promotion; and "people are getting a little bored with scratchcards and the lottery," Mr Michels said.

Stakis yesterday estimated its expected tax rates for the next four years, responding to concern in the City that rising tax charges could impair its earnings growth.

Azlan leaps to £10.5m

By Paul Taylor

Strong demand for advanced computer networking products was underlined yesterday as Azlan announced a near trebling of annual pre-tax profits.

Azlan also extended its geographic reach across Europe. Pre-tax profits jumped from £3.8m to £10.5m (\$16m) for the year to March 31, while turnover rose to £96.8m (\$90.6m).

The strong profits growth and positive outlook helped lift Azlan's share price - which was less than 180p a share a year ago - by a further 26p to 885p.

The results, which continued to outpace market growth, highlight the success of Azlan's strategy of concentrating on distributing a limited range of higher-margin networking products from leading manufacturers to resellers.

Companies are becoming more reliant on computer networks, which in turn are becoming more complex; hence the growing demand not only for the products Azlan supplies, but also for training and



Adrian Lamb, finance director (left) and Christian Martin

other services. Mr Christian Martin, who took over as chief executive following a management reorganisation 20 months ago, said the group had also "improved operating margins and enhanced market coverage across Europe".

In continental Europe, sales increased from £36.6m to

£115.2m, as a result of organic growth, start-ups and acquisitions.

The Continent accounted for almost 60 per cent of group turnover compared with 40 per cent in 1995.

It now has a presence in about 90 per cent of the European networking market.

Unigate raises \$65m by selling US restaurants

By Roderick Oram, Consumer Industries Editor

Unigate, the food processor and distribution group, has sold half its US restaurant businesses for \$65m three years after abandoning their US float after the restaurants ran into trading difficulties.

DenAmerica is paying \$50m cash for the Black-eye Pea restaurants, with the balance covered by a note due for repayment by next March 31.

Most of the 100 company-owned, full-service, casual restaurants are in Texas, Georgia, Oklahoma and Washington DC. A further 30 are franchised. They made an operating profit of \$4.7m in the year to March and had net asset value of \$92.3m, excluding goodwill.

"They've been struggling to find a buyer for more than a year," one analyst said.

Unigate is still looking for a buyer for its other US restaurants - 110 Taco Bueno fast

food outlets and five Casa Bonita/Crystals restaurants.

Unigate said it would take a \$59.5m provision for the loss on its sale of the two US chains in its accounts for the year to March 31, which it will report on Monday. Of the total, \$38.2m is goodwill previously written off. One analyst estimated net assets of the two was about £140m.

In the spring of 1993, Unigate's US advisers were trying to float the two chains together to raise between \$220m-\$250m.

Black-eye Pea and Taco Bueno made operating profits of £13.3m in the 1991-92 financial year. After the float was aborted, Unigate continued to invest in the former with a refurbishment programme.

Selling Taco Bueno would end a string of disposals by Mr Ross Buckland, Unigate's chief executive. He has focused the group mainly on chilled dairy foods and some meats, areas where the company is seeking acquisitions.

Taking stock of this year's investor relations success stories

at the
1996 UK Investor Relations Magazine Awards
in association with the FINANCIAL TIMES

Wednesday 26 June 1996, The London Hilton on Park Lane

Investor Relations magazine has commissioned an independent in-depth survey of fund managers and analysts to rank this year's top performing investor relations departments across a wide array of key IR disciplines.

The results of this research are not revealed until the night of the awards presentation. Winners are called up on stage to receive awards and congratulations from their fellow IR professionals and advisers during a black-tie dinner at one of London's most prestigious venues.

To find out if you are among them make sure that you reserve your ticket now by calling
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New Zealand

Notice of Offer to Purchase for Cash

£100,000,000 11 1/4 per cent. Loan Stock 2008 ('2008 Stock')
(£97,500,000 outstanding)

£100,000,000 11 1/2 per cent. Loan Stock 2014 ('2014 Stock')

Barclays de Zoete Wedd Limited hereby offers to purchase on behalf of Her Majesty the Queen in right of New Zealand ('New Zealand') any or all of the outstanding 2008 Stock and any or all of the outstanding 2014 Stock (together with all unexercised coupons appertaining thereto where appropriate) together with an amount in respect of accrued interest from, and including, the last interest payment date in respect of the relevant Stock to, but excluding, the date of such purchase at a price, rounded to the nearest third decimal place (with 0.0005 being rounded upwards) at which the 2008 Stock yields a margin of 0.15 per cent, over the yield on the Treasury 9 per cent. Stock 2008 and the 2014 Stock yields a margin of 0.15 per cent, over the yield on the Treasury 9 per cent. Stock 2012 as calculated by Barclays de Zoete Wedd Limited at 11:00 hours (London time) for each day the offer is open, by reference to the mean of the bid and offered prices (for settlement on the next London business day) of the relevant gilt as quoted by BZW Gilts Limited. Such price will be applicable for all Stock of the relevant issue in respect of which acceptance is given to Barclays de Zoete Wedd Limited after 11:00 hours (London time) on the previous business day to 11:00 hours (London time) on the day of each price fixing. All yields will be calculated by Barclays de Zoete Wedd Limited on a semi-annual gross redemption yield basis. The offer is open from 11:00 hours (London time) on 3rd June, 1996 to 11:00 hours (London time) on 14th June, 1996 or such other period (the 'Offer Period') as may be notified by Barclays de Zoete Wedd Limited. Stock bought in registered form will be for settlement via the Central Gilts Office and Stock bought in bearer form will be for settlement through CedeL Bank, société anonyme or the Euroclear system in accordance with their respective settlement procedures.

Stock so purchased on behalf of New Zealand will be cancelled.

In compliance with the Listing Rules of the London Stock Exchange Limited, additional announcements of the principal amount of the 2008 Stock and the 2014 Stock purchased pursuant to this offer will be issued in accordance with the Stock Exchange Rules.

Acceptance of this offer may be made to Barclays de Zoete Wedd Limited by telephone during the Offer Period. Enquiries and offers should be directed to:

Barclays de Zoete Wedd Limited
Debt Syndicate Telephone: 0171 628 8875 Fax: 0171 956 4591

The Offer will expire at 11:00 am, London time, on Friday, 14th June, 1996, unless extended.

3rd June, 1996

loyd aske
y his role

LAW

Export ban may lead to damages

A ban by the UK government on the live export of sheep to Spain could give rise to a right to damages for individual exporters harmed by the decision, the European Court of Justice has ruled.

The ban had been imposed on the grounds that Spanish slaughterhouses were failing to comply with a 1974 European directive on the stunning of animals before slaughter. In spite of the fact that Spain had adopted the relevant legislation, the UK government was convinced several Spanish slaughterhouses were not acting in compliance with the European rules and that there was, therefore, a substantial risk that animals exported to Spain would suffer treatment outlawed under European law.

The European Commission investigated and came to the conclusion that the UK action was unlawful. Following that decision, the ban was lifted. However, prior to its lifting, one sheep exporter, Hedley Lomas, was refused a licence to export its sheep to Spain by the UK Ministry of Agriculture, Fisheries and Food.

Toshiba looks to the future

Toshiba, the integrated electronics maker, has chosen Tairo Nishimuro, currently executive vice president, as its next president. The appointment, which marks a break with Toshiba's tradition of choosing its head from those with experience in heavy electrical equipment, underlines the growing importance the company attaches to businesses such as semiconductors, consumer electronics and PCs which are Nishimuro's forte.

Greenberg junior rises

Evan Greenberg has been elected to the board of AIG, the New York-based insurer, prompting speculation that he is being groomed to succeed his 70-year-old father, Maurice "Bank" Greenberg, one of the most famous names in insurance.

Enskilda appointment

Jan Wallenberg, the chief operating officer of Enskilda, the merchant banking arm of Sweden's Skandinaviska Enskilda Banken and scion of the powerful Wallenberg family which is the bank's biggest shareholder, has plucked Pippa Mitchell from the ranks to be his assistant.

Reinschagen's rise

Christie's Europe has appointed three vice-chairmen, one of whom is the first woman to hold the position. Maria Reinschagen (left), also deputy chairman of Christie's Switzerland and head of Christie's Zurich office, is described as "one of our most effective business-getters" by Christopher Balfour, chairman.

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ON THE MOVE

Alfredo Moroni, previously chairman of Italgas, has been elected chairman of AGIP PETROLI.

INTERNATIONAL APPOINTMENTS

Please list appointments of new appointments and retirements to +44 171 873 8826, marked for International People. Set fax to "line".

INTERNATIONAL APPOINTMENTS

Please list appointments of new appointments and retirements to +44 171 873 8826, marked for International People. Set fax to "line".

NOTICE OF MEETING OF NOTEHOLDERS

Table with 4 columns: Series Designation, Rate, Interest Amount, Interest Payment Date.

MARGINED CURRENCY DEALING

CALL TOLL-FREE: Austria 0820 7490, Belgium 020 7199, Denmark 020 40320, France 0320 4722016, Germany 107 78375, Hungary 0021 1181, Italy 02 4931 870, Japan 03 3281 5248, New Zealand 09 421 851, Singapore 333 1071, Switzerland 155 3248, Taiwan 02 273 1070, Thailand 2 273 851, USA 212 493 2261.

The Financial Times plans to publish a Survey on

World Coal Industry on Friday, July 5. Do you want to reach senior decision makers in the world coal mining and equipment business? Contact Anthony Hayes.

Notice of Early Redemption ANZ Bank Australia and New Zealand Banking Group Limited. Floating Rate Notes due 1997.

Notice of Early Redemption

ANZ Bank Australia and New Zealand Banking Group Limited. Floating Rate Notes due 1997. NOTICE IS HEREBY GIVEN that pursuant to Condition 6(c) of the Notes, ANZ Bank will redeem all of the Notes at their principal amount on the next interest payment date, 26th July 1996.

By Order of the Board S.A. Walker FCIS Eurotunnel P.L.C.

The Board Of Directors Eurotunnel S.A.

George House, George Road, Edgbaston, Birmingham B15 1PG FT Surveys

Bankers Trust Company, London 4th June, 1996

COMMODITIES AND AGRICULTURE

Aluminium prices fall as US labour talks prosper

By Kenneth Gooding, Mining Correspondent

Aluminium prices on the London Metal Exchange fell by \$21 a tonne, or nearly 1.6 per cent, yesterday following news that some of the biggest US producers of the metal had reached tentative agreement with unions for new employee contracts.

Combined annual capacity of the three - Aluminium Company of America (Alcoa), Ormet, and Reynolds Metals - is 1.9m tonnes of primary aluminium, more than 45 per cent of the US total and more than 10 per cent of global capacity. The previous three-year contracts expired on Friday.

But trade buying took the price up from these low levels so that in after-hours trading last night aluminium was \$1,583 a tonne, down only \$9 from Friday's level.

Many analysts expect aluminium to recover from this level. Billiton Metals, part of South Africa's Genor mining group, is forecasting that the metal will average \$1,553 a tonne in 1996 and that prices will move up as the year progresses.

At the Merrill Lynch financial services group, analyst Mr Ted Arnold says he expects aluminium prices to begin to improve from late in the third quarter of this year. "This is because the underlying rate of consumption growth in aluminium is running at between 2.5 to 3.5 per cent (depending on whose calculations you take) whereas brownfield and

greenfield expansions now under way and planned show a rate of capacity growth of only about 1.3 per cent a year," he writes in Merrill's latest Commodity Market Trends report.

Future remains obscure for BSE researchers

The Institute for Animal Health at Compton, Berkshire, remains under threat of privatisation, amalgamation, closure or transfer to a university

Jan Laing, the president of the Board of Trade last week answered a parliamentary question on the future of some of the UK agriculture's plant science research institutes which had been the subject of the government's Prior Options Review of Public Sector Research Establishments.

Mr Peter Richardson, commodities analyst at broker S.G. Warburg, is forecasting a 30,000 tonne supply surplus this year but says the market is likely to move back to a small deficit in 1997. "We expect a recovery in consumption growth in 1997 to underpin a strong recovery in prices," Mr Richardson is forecasting an average 1996 aluminium price of \$1,697 a tonne.

FARMER'S VIEWPOINT



By David Richardson

can jump from one species to another, they are urgently looking for means of identifying infected cattle while they are alive and long before they exhibit symptoms.

In addition, as politics increasingly dictates the pre-eminence of market forces, there is an economic imperative for UK agricultural production to be competitive with that of the rest of the world. This can only be achieved on the back of sound scientific research.

developed which are free from salmonella infection. This is being done by identifying salmonella-resistant genes in chickens and inserting them into other chickens.

Compton and its associated laboratories are also involved in the protection of UK herds and flocks from so-called exotic diseases from other parts of the world. The risk of epidemics in the UK of such devastating problems as foot and mouth disease or African swine fever increased significantly with the introduction of the European single market.

another epidemic of foot and mouth disease in the UK, the scale of that in 1967, when almost half a million cattle had to be slaughtered and burned in the fields, the cost would be in excess of £1.5bn - again without taking account of the effects on trade, the reputation of UK food and so on.

Compton's associate institute at Pirbright, in Surrey, has already proved that its anticipatory protective measures work. Back in the 1970s, its specific forecasts of possible foot and mouth infection in the Channel Islands and the south of England from an outbreak in northern France proved pinpoint accurate. One case was identified in each area predicted. Both herds were immediately slaughtered and the outbreak stopped in its tracks.

Strike hits Russian nickel plant

A strike had halved output at Russia's Nadezhinsky metalurgical plant, a subsidiary of the Norilsk Nickel group, by half and cut total Norilsk production by about 12 per cent, a company official said yesterday.

per cent stake in the Norilsk group and has four seats on the board.

might be marketing changes and said the group was talking to Glencore, the Switzerland based trading organisation.

MARKET REPORT

Producer selling sends London coffee futures lower

Robust COFFEE futures fell to the lowest levels for nearly four months at the London Commodity Exchange yesterday as producers, fearing lower prices ahead of growing supply, unloaded crops, traders

said. "They are expecting prices to fall further," said one. "The selling has been mostly from Asian, mainly Indonesian, producers."

off \$46 at \$1,759 a tonne after trading at a high of \$1,808.

LCE COCOA futures dribbled back to settle lower at the close after a hesitant recovery in the morning session.

well as a strong start to grading in preparation for this month's delivery period.

COMMODITIES PRICES

BASE METALS

Table with columns for metal type (Copper, Zinc, Lead, Tin), price change, high, low, and open prices.

PRECIOUS METALS

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, high, low, and open prices.

ENERGY

Table with columns for energy type (Crude Oil, Heating Oil, Natural Gas), price change, high, low, and open prices.

PRECIOUS METALS continued

Table with columns for metal type (Silver, Platinum, Palladium), price change, high, low, and open prices.

GRAINS AND OIL SEEDS

Table with columns for grain type (Wheat, Soybeans, Corn), price change, high, low, and open prices.

SOFTS

Table with columns for soft commodity type (Cocoa, Coffee, Sugar), price change, high, low, and open prices.

MEAT AND LIVESTOCK

Table with columns for livestock type (Cattle, Hogs, Pigs), price change, high, low, and open prices.

LONDON TRADED OPTIONS

Table with columns for option type (Aluminium, Copper, Gold, Silver), price change, high, low, and open prices.

LONDON SPOT MARKETS

Table with columns for spot market type (Crude Oil, Heating Oil, Natural Gas), price change, high, low, and open prices.

FUTURES DATA

Table with columns for futures type (Cocoa, Coffee, Sugar, Oil), price change, high, low, and open prices.

VOLUME DATA

Table with columns for volume type (Cocoa, Coffee, Sugar, Oil), price change, high, low, and open prices.

INDICES

Table with columns for index type (REUTERS, FTSE, Nikkei), price change, high, low, and open prices.

JOTTER PAD

Advertisement for HP Computer Systems with a logo and text: 'The solution is HP Computer Systems.'

CROSSWORD

Crossword puzzle grid with clues for Across and Down. Clues include: 'Possibly ten get very cold but remain attractive (6)', 'Send for a gate (8)', etc.

Vertical advertisement on the left side of the page, partially obscured, mentioning 'Bank New Zealand' and 'International appointments'.

CURRENCIES AND MONEY

MARKETS REPORT

Markets quiet as traders wait for economic data

By Philip Gawth

Foreign exchanges had a fairly quiet day yesterday with traders and investors seemingly keeping their powder dry for events later in the week when the Japanese Tankan survey and the US payroll report are released.

The dollar managed to recover some of its losses after the sell-off on Friday, although a gap does seem to have emerged between the positioning of the market (very bullish) and the rhetoric (increasingly cautious).

It finished little changed in London at DM1.594, from DM1.5975 on Friday, but an intra-day low of DM1.5183. Against the yen it closed at ¥108.285, and off the low of ¥107.35.

Sterling maintained its firm showing, with the trade weighted index finishing unchanged at 86.3. Against the D-Mark it closed at DM2.565 from DM2.566, while against

the dollar it finished at \$1.5493 from \$1.5494. In the emerging markets field the focus was on the Czech koruna, following the surprise failure of Mr Vaciav Klans' reformist government to win a majority in the week-end election. The currency opened about two per cent weaker than on Friday, but later recovered some of its losses to close about one per cent weaker.

Just as the market finds it difficult to get its head around the idea of Bundesbank sanctioned D-Mark weakness, so it struggles with the concept of an independent sterling strength. It is little surprise, then, that analysts have scrambled around to explain the pound's

recent strength, in many cases simply resorting to scepticism. One observer said the explanation lay in 'stupidity'.

Mr Jim O'Neill, chief currency economist at Goldman Sachs in New York, said there was obviously interest in buying sterling, but maintained that the reasons so far provided appear unconvincing. One is the "catch-up" argument - that sterling is the beneficiary of investors searching for high-yielding bond markets, and currency appreciation, who believe that similar moves in countries like Italy and Sweden have run their course.

Mr O'Neill argues that whereas these countries typically enjoyed undervalued currencies and a current account surplus, the pound does not appear undervalued, while the UK is running a current account deficit.

As for the "labour party is good for the pound" argument, he said it was difficult to see

related purchases when sterling broke through \$1.53, and cable (sterling/dollar) purchases from trend-following investors.

Although sceptical about the foundations of sterling strength, Mr O'Neill said it was possible sterling, like the Swiss franc, was acting as a leading indicator on the dollar. "It may be indicating that some fix has gone out of the dollar," he said he did not believe cable without some dollar weakness.

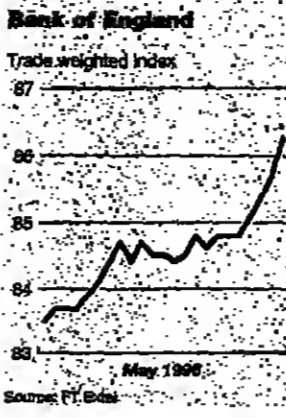
Mr Brian Martin, economist at Barclays in London, said he doubted whether the government wanted sterling above DM2.40, and suggested that a deterioration in Britain's trade account through currency strength would probably anyway serve as corrective device.

The debate over the Finnish marka joining the ERM steps up a level today with parliament expected to pass legislation clearing the way for such

a move. But Ms Wike-Groenbergh, Northern Europe economist at Salomon Brothers in London, said "it remains unclear whether the Government will decide in favour of ERM entry any time soon."

Recent official comments have hinted at a delay of some months, and Ms Groenbergh said sentiment towards ERM entry appeared more positive at the turn of the year. She said the government might favour delaying entry until the currency had weakened to a more competitive level.

The behaviour of Sweden, a crucial trading partner, is also relevant, but Ms Groenbergh said she believed Finland would be prepared to enter the ERM independent of Sweden.



Bank of England Trade-weighted Index

Why it was a "hot topic" now. While it is known that some of the leading hedge fund managers are impressed by Mr Tony Blair, the Labour party leader, there has not been evidence of large sterling purchases from the biggest funds in recent days.

Mr O'Neill said two other factors which had played a role in sterling's rally were options

WORLD INTEREST RATES

Table with columns: Money Rates, One night, One month, Three months, Six months, One year, Lomb. inter., De. inter., Repo rate. Rows include Belgium, France, Germany, Italy, Netherlands, Switzerland, US, Japan.

EURO CURRENCY INTEREST RATES

Table with columns: Country, Currency, Term, Rate. Rows include Belgium, Denmark, D-Mark, Dutch Guilder, French Franc, Portuguese Esc., Spanish Peseta, Swiss Franc, Can. Dollar, US Dollar, Italian Lira, Yen.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Jun 3, Closing mid-point, Change on day, Bid/offer, Day's mid, One month, Three months, One year, Bank of England.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Jun 3, Closing mid-point, Change on day, Bid/offer, Day's mid, One month, Three months, One year, J.P. Morgan Index.

OTHER CURRENCIES

Table with columns: Country, Currency, Bid, Offer, Bank of England, J.P. Morgan Index.

THREE MONTH EURO-DOLLAR FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-YEN FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-SWISS FRANC FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-DEM MARK FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table with columns: Country, Bid, Offer, DM, £, L, H, Nkr, Sfr, S, Y, Esc.

D-MARK FUTURES (DM 125,000 per DM)

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

SWISS FRANC FUTURES (Sfr 125,000 per Sfr)

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

UK INTEREST RATES

LONDON MONEY RATES

Table with columns: Over-night, 7 days, One month, Three months, Six months, One year.

UK clearing bank base lending rate

Up to 1 month, 1-3 months, 6-9 months, 9-12 months.

THREE MONTH EURO-DOLLAR FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-YEN FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-SWISS FRANC FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-DEM MARK FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

BASE LENDING RATES

Table with columns: Bank Name, Rate.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Bid, Offer, Change on day, % change on day.

NON-ERM MEMBERS

Table with columns: Country, Bid, Offer, Change on day, % change on day.

THREE MONTH EURO-DOLLAR FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-YEN FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-SWISS FRANC FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-DEM MARK FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

SHARE SENTINEL

Table with columns: Share Name, Bid, Offer, Change on day, % change on day.

THREE MONTH EURO-DOLLAR FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-YEN FUTURES

Table with columns: Jun, Sep, Dec, Open, Settle, Change, High, Low, Est. vol, Open int.

EUROFIMA

Advertisement for EUROFIMA, European Currency Unit Finance of the Deutsche Mark. Includes details on floating rate notes and interest rates.

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Advertisement for SmithKline Beecham PLC floating rate unsecured loan stock, 1990/2010.

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Handwritten signature or note at the bottom of the page.

LONDON SHARE SERVICE

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BANKS, RETAIL

BREWERIES, PUBS & REST

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DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

EXTRACTIVE INDUSTRIES - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

ENGINEERING

EXTRACTIVE INDUSTRIES - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

AIM - Cont.

Table listing AIM companies with columns for Name, Price, and % Change.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and % Change.

MEDIA

Table listing media companies with columns for Name, Price, and % Change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, and % Change.

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

AMERICANS

Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies (continued) with columns for Name, Price, and % Change.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued) with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and % Change.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

Rockwell, builder of the space shuttle, also makes the majority of the fax and data modems in the world.



TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT... This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £250 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4876 for more details.

Main table containing columns for fund names, prices, and changes. Includes sections for 'OFFSHORE INSURANCES' and 'OTHER OFFSHORE FUNDS'.

MANAGED FUNDS NOTES
Please refer to notes on other pages for more details.
This is a list of managed funds with their respective prices and changes.

LONDON STOCK EXCHANGE

MARKET REPORT

Equities refuse to shrug off despondent mood

By Peter John

Sterling moved even higher against the D-Mark, government bonds recovered but equities stubbornly refused to join the party yesterday. The London market did struggle out of some of the worst excesses of gloom. Also it appeared to ignore the latest UK economic statistics as well as a much feared US purchasing managers' index. However, the FT-SE 100 index still ended the day 8.6 lower at 3,789.2.

points amid growing concern about inflation, and the possibility that the Federal Reserve might raise interest rates. And, over the week-end, press comment had been unenthusiastic about the UK economy. At the start of trading yesterday, the Footsie was off almost 18 points. The release of M0 - the main element of which is notes and coins in circulation - signalled a slight pick-up in consumer spending. The M0 figure implied strength in the consumer side of the economy. But it coincided with the latest survey from the Chartered Institute of Purchasing and Supply, which showed that last month manufacturing suffered its biggest slide for more than 3 1/2 years.

The pressures on manufacturing, as shown by reduced output and jobs, lower order books and a build-up of unsold goods, will have been increased by the recent strength of the pound against the D-Mark and dollar. The strength of sterling and the weakness of manufacturing led at least one economist to raise the possibility of an interest rate cut when the chancellor of the exchequer meets the governor of the Bank of England on Wednesday. Mr Ian Hannett, the strategist at SGST, argued: "In the past when there has been this imbalance between manufacturing and the services sector rates have been reduced. I think there is a 30 per cent chance of a surprise cut."

The market did, in fact, rally during the morning but its sights were not set on good news and as the time approached for trading to begin on Wall Street, London's nerves began to jangle again. Afternoon trading was patchy with dealers waiting for inflationary signals from the US purchasing managers' survey. Even when those signals did not materialise, the market failed to take heart. Traders merely switched their focus to the potential for discouraging US employment statistics on Friday. Futures traded at a discount to the cash market all day and share turnover of 64.9m by 6pm had a Monday feeling to it.

Takeover premium was virtually non-existent in the Footsie although most water stocks - particularly Wessex - were up. The only upward momentum came from BT, where the shares rose in response to a lenient regulatory review and a contrived almost 5 points to Footsie. That gain was offset by the effect of stocks going ex-dividend, which knocked 6.4 points off the index. Second-line stocks performed slightly better with the help of a sparkling performance from Eurotunnel. The FT-SE Mid 250 index lost only 4.5 at 4,806.5.

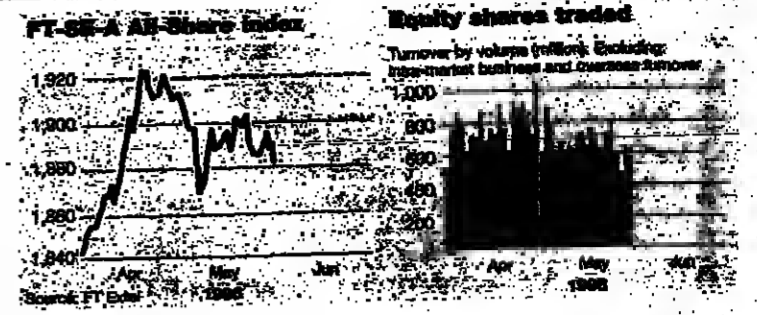


Table with 2 columns: Indices and ratios, and Best performing sectors. Includes FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, FT-SE-A All-Share Yield, and sectors like Telecommunications, Electronic & Equip, Water, Building Mat & Merchs, and Distributors.

BT up on OfTel review

Telecoms shares were in the thick of the action yesterday, following a slew of regulatory news that sent BT shooting higher but left the mobile phone stocks trailing badly. OfTel's price cap review was seen as favourable for BT with the K factor coming down to 4% per cent on a regulatory band narrowed from 60 to 50 per cent of the telecom group's revenue. With the market consensus running closer to 5 per cent and 30 per cent, the shares surged from the outset. Up to 37 1/2% at one stage, BT ended as Footsie's best performer at 368 1/2, up 13 in turnover boosted to 30m by what was described as a significant two-way pull. BT has had a strong run lately and yesterday's extra bounce sparked "take profits" advice from a number of brokers.

more than 12 per cent in heavy volume with the shares reaching a 1996 high and breaking through 11 for the first time since November. The group announced management changes which suggested that, from this autumn, six of the top tier of eight board members would be French. This sparked a surge in volume on the Paris bourse as rumours about an early agreement on debt restructuring resurfaced. Turnover in Paris raced ahead to 11.4m, and there was also significant arbitrage trade in London where turnover totalled 1.4m shares. The stock closed up 1 1/2% at 108 1/2, the best performer in the FT-SE Mid 250 index. British Airways took a tumble as the shares went ex-dividend. The payment was 10p net, so a decline of 1 1/2% to 54 1/2 represented an effective 9 1/2% setback.

Cariton strong Cariton Communications was one of the day's best performers in the Footsie after the shares added 1 1/2% to 465 1/2. Sentiment in the stock was boosted by the stock being included on Panmure Gordon's list of best buys for the coming month. The broker previously rated the shares a "hold". The combined decline of both the US and UK market exacted a total of several media related stocks. The list included Pearson where the shares eased 5 to 687 1/2, and Reuters, 3 1/2 lighter at 747 1/2, after trade of 2.9m. The broker also rates Mirror Group, although shares in the company fell 4 to 216 1/2 as investors reflected on the likely impact of The Times reducing its Monday cover price to 10p. Mirror group holds a substantial stake in The Independent, a competitor to The Times. Standard Chartered moved strongly ahead after NatWest Securities became the latest broker to recommend the stock. The shares gained 4 to 646 1/2 against a poor market trend as 2.9m were dealt. NatWest Securities reiterated its long-term buy stance and raised its current year profits estimate by 230m to 232m. It held the forecast for the following year to 2320m.

reported to be edging forecasts for the following year upwards from £2.2bn to around £2.4bn although few were willing to confirm their figures yesterday. Royal Bank of Scotland continued to be boosted by a recommendation from Credit Lyonnais Ltd, issued at the end of last week. The shares hardened 5 to 527 1/2. Bargain hunting at the lower levels saw Abbey National close a penny firmer at 554 1/2. Shares in pharmaceuticals group Scotia Holdings jumped 3 1/2 to 729 1/2, after Lehman Brothers valued the stock at 850p a share. Analysts at the US investment bank said the group was one of the better buying opportunities in UK biotechnology stocks. They added that Scotia's valuation took into account the near-term opportunities offered by its diabetic neuropathy and pancreatic cancer products and its photodynamic therapy. Glaxo Wellcome followed the market lower, closing 3 off at 839p after trade of 4.5m. However, NatWest Securities favours the stock and yesterday issued a detailed buy note on the shares. NatWest said: "Earnings growth is no longer dependent on cost reductions, as before. The launch of a raft of new drugs into the US market is driving up sales growth forecasts." Tesco, which announced its new ClubCard Plus, slipped a penny to 300 1/2, while J Sainsbury fell 2 1/2 to 394 1/2. One analyst suggested that Tesco had stolen the other retailers' thunder. Deleely managed to add one penny to 376p despite issuing a profits warning, provoked by the current BSE controversy. Several analysts downgraded their forecasts. Unigate added 8 to 411p after announcing it had sold its black-eyed pea restaurants in the US. Thorn EMI rose 28 to 1822 1/2 following the announcement that its final results will be published on June 11. Speculation is growing about the group and its plans for demerger. Stakis fell 3 to 106p following interim results at the low end of forecasts, with analysts disappointed at the performance of its casinos. Ladbroke, which owns Hilton International, rose 2 1/2 to 192p on speculation that some sort of deal is progressing with Hilton Hotels of the US. Football stocks jumped on the back of media reports that pay-per-view television could net them substantial amounts of money. Manchester United rose 5 1/2 to 400p and Tottenham 3 1/2 to 425p.

ber of businesses, and the £25m exceptional provision Sears has made against Facia going into receivership. Most analysts' forecasts were unchanged, although one said there could be a modest downgrade. Conglomerate Williams Holdings gained 7 to 340 1/2 on news of a £18.8m move into Brazil.

Table titled 'FUTURES AND OPTIONS' showing FT-SE 100 INDEX FUTURES (LFFE) and FT-SE 100 INDEX OPTION (LFFE) data for various months and prices.

Channel tunnel operator Eurotunnel raced ahead by more than 12 per cent in heavy volume with the shares reaching a 1996 high and breaking through 11 for the first time since November. The group announced management changes which suggested that, from this autumn, six of the top tier of eight board members would be French. This sparked a surge in volume on the Paris bourse as rumours about an early agreement on debt restructuring resurfaced. Turnover in Paris raced ahead to 11.4m, and there was also significant arbitrage trade in London where turnover totalled 1.4m shares. The stock closed up 1 1/2% at 108 1/2, the best performer in the FT-SE Mid 250 index. British Airways took a tumble as the shares went ex-dividend. The payment was 10p net, so a decline of 1 1/2% to 54 1/2 represented an effective 9 1/2% setback.

Table titled 'FINANCIAL TIMES EQUITY INDICES' showing data for Ordinary Shares, Dividend Yield, P/E Ratio, and Dividend Cover for various dates.

Table titled 'LONDON MARKET DATA' showing Total Rise, Total Fall, Total Volume, and other market statistics.

Table titled 'LONDON MARKET DATA' showing Total Rise, Total Fall, Total Volume, and other market statistics.

Table titled 'LONDON MARKET DATA' showing Total Rise, Total Fall, Total Volume, and other market statistics.

Table titled 'TRADING VOLUME' showing Major Stocks Yesterday with columns for Stock Name, Volume, and Change.

Advertisement for New Zealand offering to purchase for cash any and all of its outstanding 9 1/8% Notes due January 15, 2011, 8 3/4% Notes due April 1, 2016 and 9 1/8% Notes due September 25, 2016. Includes contact information for Morgan Stanley & Co.

Advertisement for World Insurance Report featuring a tree graphic and text: 'TO SAVE ALL THESE TREES WE HELP CROP DOWN THIS ONE.' Promotes a weekly publication for investors.

Table titled 'FT-SE ACTUARIES SHARE INDICES' showing various indices like FT-SE 100, FT-SE Mid 250, FT-SE-A 350, and FT-SE-A All-Share with their respective values and changes.

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WORLD STOCK MARKETS

EUROPE

Table of stock market data for Europe, including indices like EURO STOXX 50 and various regional indices.

ASIA

Table of stock market data for Asia, including indices like Nikkei 225 and Hang Seng.

AMERICA

Table of stock market data for America, including indices like S&P 500 and Dow Jones.

AFRICA

Table of stock market data for Africa, including indices like FTSE Africa 100.

AUSTRALIA

Table of stock market data for Australia, including the ASX 200 index.

NEW ZEALAND

Table of stock market data for New Zealand, including the NZSE 100 index.

SOUTH AFRICA

Table of stock market data for South Africa, including the FTSE/JSE Top 100 index.

INDICES

Table of major global stock indices with columns for index name, value, and change.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

AUSTRALIA (continued)

Continuation of Australian stock market data.

NEW ZEALAND (continued)

Continuation of New Zealand stock market data.

SOUTH AFRICA (continued)

Continuation of South African stock market data.

INDICES (continued)

Continuation of major global stock indices.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

AUSTRALIA (continued)

Continuation of Australian stock market data.

NEW ZEALAND (continued)

Continuation of New Zealand stock market data.

SOUTH AFRICA (continued)

Continuation of South African stock market data.

INDICES (continued)

Continuation of major global stock indices.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

AUSTRALIA (continued)

Continuation of Australian stock market data.

NEW ZEALAND (continued)

Continuation of New Zealand stock market data.

SOUTH AFRICA (continued)

Continuation of South African stock market data.

INDICES (continued)

Continuation of major global stock indices.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

AUSTRALIA (continued)

Continuation of Australian stock market data.

NEW ZEALAND (continued)

Continuation of New Zealand stock market data.

SOUTH AFRICA (continued)

Continuation of South African stock market data.

INDICES (continued)

Continuation of major global stock indices.

Advertisement for Peregrine Global Distribution, featuring a bird and the text 'Asian Focus. Global Distribution. Peregrine has the world's largest team dedicated to the international distribution of Asian securities.'

US INDICES

Table of US stock indices including Dow Jones, S&P 500, and NASDAQ.

NEW YORK ACTIVE STOCKS

Table of active stocks in New York, listing stock names, prices, and changes.

NEW YORK ACTIVE STOCKS (continued)

Continuation of New York active stocks table.

US INDICES (continued)

Continuation of US stock indices table.

NEW YORK ACTIVE STOCKS

Continuation of New York active stocks table.

NEW YORK ACTIVE STOCKS (continued)

Continuation of New York active stocks table.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

Footnote and disclaimer text at the bottom of the page.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and volume. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Advertisement for Hewlett-Packard with the slogan 'Vault ahead. If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'V'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'W', 'X', 'Y', and 'Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

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Continuation of NASDAQ National Market stock prices from the previous page, including sub-sections for 'Continued from previous page', 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', and 'Z'.

AMERICA Volatile bonds lead Dow into further decline

Wall Street

US share prices added to last week's losses in midweek as trading yesterday on the heels of a volatile bond market...

The Dow Jones Industrial Average fell nearly 30 points and the Standard & Poor's 500 lost almost 4 points in the first 15 minutes of trading...

Gloomy outlook for Light

São Paulo saw a sharp correction in shares of the former state-owned Light, as the view that speculative buying ahead of the utility's privatisation on May 21 had left the stock overvalued...

EUROPE Senior bourses reverse losses after late \$ revival

A revival in US and French bonds, and a rebound in the dollar allowed PARIS to reverse early losses. The CAC-40 index rallied late in the day...

Peugeot outperformed the bulk of the automotive sector, rising 1.1% to FF774. Mr Christopher Will at Lehman Brothers, upgraded the stock from outperform to buy...

Canada Toronto was weak at mid-session on profit-taking after Friday's gains and the TSE-300 composite index at noon was 12.20 down at 5,234.20 in volume of 49m shares.

ASIA PACIFIC Lender collapse reports sharpen Japanese worries

month. The ministry of finance hopes to sell 272,390 shares which were left over from its first offering in 1994...

Bank stocks were hit by arbitrage selling. Dai-ichi Kangyo Bank, the most active issue of the day, fell Y40 to Y1,910...

Profit-taking depressed large capital stocks. Nippon Steel fell Y5 to Y362 and Kawasaki Steel fell Y15 to Y386...

Volume totalled 360m shares against 405m. Most institutional investors remained inactive ahead of the Bank of Japan's tankan, or quarterly survey of business confidence...

In London, the ISE/Nikkei 50 index rose 4.94 to 1,453.71. Individual investors led the selling in the afternoon as the bankruptcy report triggered fears that speculative investors who had borrowed funds from the credit company would sell their shareholdings...

Rate-sensitive banks and property issues were hard hit. HSBC led HK\$1 to HK\$116 and Hang Seng Bank fell HK\$1.50 to HK\$78.25.

SEKUR was sharply lower after the arrest of the head of the Securities Supervisory Board on bribery charges. The composite index closed 10.76 lower at 897.22 as brokers cautioned that a thorough investigation into corruption in the watchdog body could drag in a large number of companies...

Yuyang fell Won\$3.70 to its lower limit of Won\$6,800 on news that prosecutors had launched an investigation into the company on suspicions that it might have been involved in the alleged bribery...

Against the trend, Hyundai Group shares picked up on expectations that they would benefit from FIFA's decision to allow South Korea to co-host the 2002 World Cup football competition with Japan.

OSAKA, the OSE average fell 262.62 to 23,026.26 in volume of 31.7m shares.

RENEWED institutional demand helped Johannesburg's industrial shares to overcome an early decline after Wall Street began slightly firmer. The steadier tone coincided with comments by Old Mutual, the insurance giant, which said that the industrial sector's recent pounding, on the back of the slide in the rand, seemed to be over and that equities would remain the channel for institutional investment. The overall index was off 0.4 to 6,818.1, industrials shed 0.8 to 7,985 and gold up 5.3 to 2,018.8.

MARKETS IN PERSPECTIVE

Table with columns: % change in local currency, % change sterling, % change US\$. Rows include Australia, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, EUROPE, Australia, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Canada, USA, Mexico, South Africa, WORLD INDEX.

FT/S&P ACTUARIES WORLD INDICES

Table with columns: US Dollar, Day's Change, POUND, FRIDAY MAY 31 1996, Local Currency, Local Index, Local % chg, Gross Yld, US Dollar, POUND, THURSDAY MAY 30 1996, Local Currency, Local Index, Local % chg, Gross Yld, DOLLAR INDEX, Year.

Roundup

The renewed US rate worries dropped HONG KONG by 1.8 per cent, and the Hang Seng index finished 20.32 lower at 11,068.81 as turnover shrank to HK\$3.7m.

The fall coincided with a report by ING Barings which concluded that Hong Kong's bull rally had ended and that the market had lost its momentum and direction.

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FT-SE Actuaries Share Indices

Table with columns: Jun 3, Monthly Change, Open, High, Low, Close. Rows include FT-SE Actuaries 100, FT-SE Actuaries 200, FT-SE Actuaries 300, FT-SE Actuaries 400.

Pharmaceuticals were mostly lower. EMS lost SF110 to SF95.90 in further response to a downbeat outlook published last week. Clariant gave up SF7.8 to SF7.48 on profit-taking.

Baloise, the insurer, gained SF7.85 to SF7.95 on speculation buying while a SF7.4 advance in SMH to SF7.68 was attributed to a reassessment of the watchmaker's US business, ahead of Friday's press conference.

MILAN punished Gemina, the financial holding group, after its report, late on Friday, of heavier than expected 1995 losses. The shares dropped L55.5 to L54.05 as the Comit index gave up 7.46 to 661.13 on a day of largely technical trade.

Mediolanum, the life insurance and financial services group formerly owned by Mr Silvio Berlusconi's Fininvest and the chief executive, Mr Emilio Doris, rushed to a high

of L15.995 as the shares made their debut in the market. They subsequently settled at L15.805, still sharply up from the L12,000 placement price.

ENI was down L64 at L7,344 on profit-taking after the share's strong rally ahead of its entry into the Morgan Stanley index yesterday. Among other blue chips, Fiat fell L31 to L5,245.

Telecoms were under pressure on expectations that the sector could see switching to Fininvest's Mediastar when it was listed, probably later this month. Stet fell L88 to L5,432.

Shares in Enichem's Montefibre synthetic fibres business were suspended pending an announcement expected after the market closed.

AMSTERDAM, closing too early to enjoy the dollar recovery, was underpinned by strong domestic fundamentals which counterbalanced transatlantic influences. Financials held up, and the AEX index

closed just 0.89 down at 569.20, after briefly spiking up to a record high of 571.75.

COPENHAGEN fell further as the cleaning group, International Service System (ISS), took its share price tumble into a third day. ISS dropped by DKr18 to a new two-year low of DKr108, more than 37 per cent down since last Thursday's report of irregularities at a US unit which could cost it \$100m. The KFX index fell 1.02 to 112.95.

HELSINKI fell as takeover speculation in Nokia appeared to fade and as profit-taking hit the paper machine maker, Valmet, after its New York stock market debut. Nokia dropped FMk6.90 to FMk1.99 and Valmet FMk1.80 to FMk1.20, as the Hex index closed 15.69 lower at 2,054.73.

WARSAW extended Friday's gains in higher turnover which, analysts suggested, signalled a likely end of the market's three week correction.

The Wig index rose 163.3, or 1.4 per cent to 12,050.0 and turnover picked up 12.2 per cent to 86.6m zlotys.

Dealers were unable to explain a 10 per cent jump by Elektromontaz to 4.95 zlotys in hefty turnover of 3.8m zlotys.

TEL AVIV continued to rally from the immediate, post election drop of nearly five per cent that equities sustained

last Thursday following the right wing victory in Israel's general elections.

Top shares added a little more, after a recovery of nearly 2 per cent on Sunday. The Mishkanim index closed 0.57 lower at 206.10, as turnover rose from Shk\$2m to Shk\$4m. This followed statements by the prime minister, elect, Mr Benjamin Netanyahu, that he would pursue economic growth and stability.

PRAGUE blue chips were sharply lower as investors anxiously awaited the outcome of talks on forming a new government after the indecisive general election vote at the weekend. The PX50 index lost 2.9 or 4.1 per cent to 530.6 as market leaders like Komerční Banka, CEZ and STP Telecom, which feature in the portfolios of most international investors in the Czech market, all fell heavily.

ISTANBUL gave up some of its early gains after the prime minister, Mr Mesut Yilmaz, said that the only alternative to his troubled, 12 week conservative coalition with Mrs Tansu Çiller would be early elections. The IMKB-100 index turned back from a high of 63,519.96 but was still 1,143.82 ahead at 62,366.23.

Written and edited by William Cochrane and Michael Morgan

ABN AMRO BANKING CORPORATION (B.C.C.) FIRST QUARTER 1996 FINANCIAL RESULTS. Includes Consolidated Balance Sheet, Consolidated Income Statement, and Shareholders' Funds.